Counter Balance Challenging Public Investment Banks

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The Emperor's New Clothes

What's new about the EU's Global Gateway?

SEPTEMBER 2022

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Acknowledgements

This briefing has been written by Farwa Sial (Eurodad) and Xavier Sol (Counter Balance).

We would like to thank Eurodad's María José Romero, Hamdi Benslama, Jean Saldanha, and Frank Vanaerschot (Counter Balance), Adrian Chikowore (Afrodad), Anna Roggenbuck (Bankwatch), Jeroen Kwakkenbos (Oxfam EU Advocacy Office) and Nick Hildyard (The Corner House) for their useful contributions to the production of this briefing. Julia Ravenscroft provided invaluable editing support.

The research was enriched by conversations with Samuel Pleeck (CGD) and San Bilal (ECDPM). We are also grateful to officials who spoke to us from European Commission's Directorate General of International Partnership and Directorate General for Trade as well as the European External Action Service.

Views and opinions expressed in this briefing are those of Eurodad and Counter Balance and do not necessarily reflect those of the organisations or individuals consulted.

Copyediting: Vicky Anning

This briefing has been produced with the financial assistance of the Polden-Puckham Charitable Foundation and the European Union. The contents of this briefing is the sole responsibility of Eurodad and Counter Balance and can in no way be taken to reflect the views of the funders.

Executive summary

The Global Gateway, officially launched in December 2021, is the EU's new flagship strategy to support infrastructure projects across the world with a view to enhance connectivity. The proposed plan aims to mobilise EUR 300 billion in investments through the "Team Europe" approach, which brings together EU institutions, EU member states, European financial institutions and national development finance institutions. The Gateway is presented by the European Commission (EC) as the EU's response to the multiple global crises that the Balkans, EU's neighbourhood and developing countries face, including food, climate and debt crises. It is also a clear EU attempt to play a greater role in international development.

However, this briefing shows that the Global Gateway is not attuned to the urgency to transition to sustainable economies to address climate change and help provide basic needs, while upholding human rights and reducing inequalities. On the contrary, despite strong promotional efforts by the EC, the Global Gateway lacks a clear development mandate, and its design and planning is surrounded by a lack of transparency and public scrutiny, which raises serious doubts about it being little more than a public relations exercise.

This briefing shows that:

- There is no fresh money allocated to the Global Gateway and instead its approach seems to be an attempt to rebrand existing plans, which raises concerns about diverting already scarce development resources.
- Policies proposed under the Global Gateway primarily serve private sector interests and they lack a coherent focus on poverty alleviation. Placing the EU's international development agenda as a de-risking mechanism for private sector competition rooted in geopolitics is a race to the bottom; the endless quest for competition and profitability is ultimately self-defeating as the global economy moves towards yet another period of global depression.
- The EU's Global Gateway is based on the assumption that it will mobilise, or leverage, resources from private investors. However, this is based on an unreliable methodology, raising questions about whether it will actually generate the additional investment desired.
- The redirection of development funds to achieve commercial competitiveness and geopolitical objectives goes against the principle of international development as a publicly-funded good for poverty alleviation. It is not clear how the Global Gateway's ambitious proposal for global connectivity demonstrates development additionality. Since similar EU development initiatives are already operational, evidence of the added value of Global Gateway in recipient countries remains indiscernible.
- There is no evidence of the Global Gateway as Europe's 'positive offer' for recipient countries. This includes a lack of clarity regarding how it will ensure enhanced democratic ownership of development strategies by partner countries. While the Global Gateway is still in its early days, its proposed governance structure rests solely on the active participation of different (European) stakeholders, including the EU Member States, EU delegations, and a new Business Advisory Group. To be truly based on the principle of democratic ownership, investment decisions in recipient countries have to be based on democratically owned, long-term strategies that come as a result of involving a broad range of local stakeholders.

The overriding question is what is the EU Global Gateway really about? Is it a bold new strategy focused on the needs of global partners, or will it shape up to be little more than the Emperor's New Clothes? One thing is for sure, given the political significance that the Global Gateway might have in the coming years, the EC cannot solely rely on the novelty of (re)branding.

In light of these findings, Eurodad and Counter Balance call on EU Member States and EU institutions to consider the following policy recommendations:

Clear development rationale

- The EU Global Gateway should be guided by a clear development rationale, to make a meaningful contribution towards poverty reduction, and the fight against inequalities and climate change. The focus on de-risking private investments should not be a mere objective of this initiative:
  - A participatory and inclusive process should lead to the establishment of the Global Gateway's strategy and clear guidelines should be adopted to ensure that resources are not diverted from development objectives.
  - The notion of "connectivity" under the Gateway has to be replaced with a vision of "people-centric development" which seeks to address human welfare. Meeting people's needs has to be the focus of regional infrastructure investment, which must include decent job creation, stimulus for local economic development, environmental protection, poverty reduction, reduction of gender inequality and social inclusion.

Enhanced transparency

- The EC should ensure transparency of decision-making, process and structure of the Global Gateway initiative. It should clearly define the role of Member States, publicly disclose the complete list of projects, their social and environmental impact assessment, the mandate and activity of the proposed new Export Credit Facility, as well as the mandate and composition of the new Business Advisory Board.

Enhanced democratic governance

- The governance model of the Global Gateway needs to be reviewed to ensure democratic ownership of development strategies and meaningful participation of a broad range of stakeholders, both in partner countries and in Europe, including the European Parliament and civil society.
  - Following the regulations which define development plans such as the Regulation on the Neighbourhood, Development and International Cooperation Instrument-Global Europe, EU institutions should adopt clear regulations and guidelines for the Global Gateway. This process should allow for an informed public debate on this strategy and to clarify its added value.
  - Developing countries' representatives, including local communities, have to be included in the governance of the Global Gateway to enable equal ownership.

The current context of multiple crises calls for a development strategy that centres on the welfare of the people and the sustainability of the environment. EU development funds are scarce and play a unique role in the support of countries and peoples most in need. It is imperative to avoid a controversial diversion to serve competing priorities. Without addressing these urgent needs, the EU's credibility as a key global development player is at stake.

Introduction

Described by the European Union (EU) as its flagship project, the Global Gateway is a strategy to establish EU-led connectivity around the world, focusing on five sectors: digital (secure and open internet); climate and clean energy; transport; health (including vaccines and supply chains); and education and research (see Box 1 for a reference to the concept of connectivity). The European Commission (EC) unveiled this plan on 1 December 2021, aiming to mobilise €300 billion in investments for the Gateway through a so-called Team Europe approach, which "brings together the EU and EU Member States with their financial and development institutions, including the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD)".[1] It draws on new financial tools in the EU multi-annual budget 2021-2027, in particular the Neighbourhood, Development and International Cooperation Instrument (NDICI)-Global Europe.

Box 1: What is connectivity?

The concept of 'connectivity' has no concrete definition, but it can be understood as an attempt to define the EU's relationships with countries in different regions of the world to pursue a combination of strategic investments in hard infrastructure as well as digital infrastructure and creating opportunities for enhanced trade networks.[2] Connectivity strategies unfolded in conjunction with a series of bilateral and multilateral treaties with different regional blocs. The role of these strategies can therefore be understood as normative and regulatory approaches to harmonising EU trade and governance standards to enable ease of trade as well as formalising EU trade relations.

There is currently a strong EC promotion of the Global Gateway.[3] It is presented as the EU response to help close the global investment gap that is necessary to deliver on the Sustainable Development Goals (SDGs) and the commitments made under the Paris Agreement to fight climate change. In 2022 the financing needs have dramatically increased as a result of the spillover effects of the war in Ukraine. As stated by the UN Global Crisis Response Group, "the war has exacerbated a global cost-of-living crisis unseen in at least a generation".[4]

Foreign policy and geopolitical competition are also inherently embedded in the rationale for the Global Gateway. Naming recipient countries 'partners', the EC explicitly calls the Gateway a "positive offer" that "aims to forge links and not create dependencies"[5] – hinting at China's Belt and Road Initiative (BRI). In fact, in the EU's 2021 State of Union speech, President Ursula Von Der Leyen explicitly mentioned the role of European financing in the context of the EU Indo-Pacific strategy:

> **"We are good at financing roads. But it does not make sense for Europe to build a perfect road between a Chinese-owned copper mine and a Chinese-owned harbour."[6]**

However, despite calling recipient countries 'partners', uneven power dynamics between the EU and recipient states remain, as there is no concrete evidence of a "partnership"

The geopolitics of the Global Gateway relies on the promise of financing an initiative that is qualitatively superior to the Chinese-led BRI. The Gateway's added value is said to rest on the delivery of projects that are rooted in democratic values, operating through high standards and conforming to the principles of good governance and transparency (see Box 2 overleaf). However, our research has thrown into question many of these bold claims and instead raises many questions about the real story behind the rhetoric.

Box 2: Basis on which the EU Global Gateway is called a superior offer to recipient countries

- Democratic values and high standards
- Good governance and transparency
- Equal partnerships
- Green and clean
- Security focused
- Catalysing private sector investment.

About this briefing

This briefing aims to initiate a discussion about the design, development impact, transparency and accountability of the Gateway – informing a wide range of stakeholders, including citizens, civil society organisations (CSOs) and policy makers. It follows on the heels of work by Eurodad and Counter Balance to scrutinise EU development policy and analyse trends on infrastructure financing at both the European and international level, including research on the 2017 External Investment Plan.[7]

The briefing investigates the role of the Global Gateway. It questions the claim that the twin goals of promoting commercial competitiveness along with poverty alleviation are compatible. It argues that the Global Gateway is in fact a political strategy that reorients the EU's development agenda towards geopolitical commercial competitiveness. We anticipate that the Global Gateway will remain politically central over the next few years and question whether it genuinely brings any new benefits compared to existing EU development finance. While it is too early to judge its development contribution, we believe that this briefing shows that there is significant distance between rhetoric and positive development impacts.

A major obstacle in analysing the Global Gateway is the lack of information available in the public domain, including a list of Global Gateway projects. Claims of transparency regarding the use of public resources are not borne out. In order to overcome this challenge, this briefing was informed by a combination of interviews with various EC officials, as well as analysis of secondary information. The 2022 European Development Days (EDD) – a development forum organised by the European Commission – had the theme of the Global Gateway. This was a useful event which helped to inform the findings of this research.

The briefing first examines how the Gateway reorients development funds towards commercial geostrategy. Second, it questions the development additionality of infrastructure connectivity based on mega-corridors, digitalisation and market connectivity, as promoted under the Global Gateway. Third, it questions the narrative of a 'positive offer' posed to recipient countries through the Global Gateway in light of recent developmental efforts by the EU. Finally, the conclusion is accompanied by a set of policy recommendations to inform CSO dialogue on the issue.

1. Geo-economic diplomacy or international development?

A major objective of the Global Gateway is to combine the EU's international development priorities with the EU's rising geo-economic and commercial objectives. This is not without precedent. Over the years, the EU has instrumentalised its international development policies to suit a combination of foreign policy and commercial interests (see Box 3 for a list).

In 2017, the EU adopted the European Consensus on Development in response to the 2030 Agenda and the SDGs. This links its vision of development explicitly to the objectives of the Global Strategy for the EU's Foreign and Security Policy.[8]

Box 3: Precursors to the Global Gateway

- EU Strategy for Cooperation in the Indo-Pacific (2021)
- India-EU Strategic Partnership: A Roadmap to 2025 (2020)
- Economic and Investment Plan for the Western Balkans (2020)
- The Partnership on Sustainable Connectivity and Quality Infrastructure between the European Union and Japan (2019)
- EU Strategy on Connecting Europe and Asia (2018)

The External Investment Plan (EIP) reflected this strategy since it included the issue of migration control as part of EU's international development agenda.[9] In doing so, it focused on strategies such as the creation of a business-enabling environment in recipient countries, as well as ensuring a prominent role for the private sector.

The main innovation under the European Fund for Sustainable Development (EFSD) – the financial pillar of the EIP – was the use of public funds as a guarantee to attract public and private investment. This approach was further strengthened in the EC's 2021-2027 budget, which proposed the new Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe). The NDICI-Global Europe merges several former EU external financing instruments, based on three pillars: the European Fund for Sustainable Development-plus (EFSD+); a unified budgetary guarantee – the External Action Guarantee (EAG); and financial assistance. One of the key objectives of the instrument is to crowd in private sector investment outside the EU.[10]

Paving the way to the Global Gateway

The current EFSD+ builds on the EFSD by integrating existing blending facilities,[11] as well as providing a global framework for blending activities. While it streamlined the EU's external policies and investment of the development agenda, it was introduced when EFSD was still in the early stages of implementation.[12] Given the lack of assessment of its predecessor, CSOs challenged the introduction of the EFSD+, particularly in the context of the Covid-19 pandemic.[13] Other critiques included a lack of clarity on EFSD+'s rationale, mandate and organisational capacities, as well as uncertainty around leveraging measures.[14] Moreover, the interaction and impact of blended finance and guarantees under the EFSD+ with other external action instruments remains uncertain.

Against this backdrop, the introduction of the EU Global Gateway with an explicit geo-economic focus to steer the existing development initiatives is a questionable move. Although the official documents on the Gateway do not explicitly mention competition with China's Belt and Road Initiative, the implications are clear. The Commission has framed the Gateway as a superior initiative, which is rooted in democratic values, an ethical approach to infrastructure financing based on sustainability and good governance (see Box 4 overleaf).

Box 4: Combination of factors behind the Global Gateway, according to the EU

- Europe's interest in enabling global connectivity aligned with European democratic values and high-quality standards.
- Urgency of bridging the global infrastructure deficit of €13 trillion by 2040.
- Responding to the Covid-19 pandemic challenges for crucial global supply chains.
- Working with 'like-minded partners', complementing progress under the G7, achieving SDGs and reinforcing initiatives such as the USA's Build Back Better World initiative.
- Catalysing the private sector.
- Creating jobs in Europe through trade opportunities for the EU economy, in which approximately 38 million jobs are dependent on international trade.

Source: Extracted from European Commission Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, The Global Gateway.

Forging alliances

The Global Gateway also follows the global trend of connectivity projects initiated by leading countries around the world (see Table 1). The Commission has forged alliances with 'like-minded partners', including the US and its Build Back Better World infrastructure initiative, the G7's Global Investment and Infrastructure Partnership Plan, as well as the UK's 'Clean Green'.[15]

A comparative analysis of the modality and internal structure of these initiatives shows some variation within countries (see Table 1 overleaf). However, the major difference is between the Chinese and Western model of capitalism.[16] In contrast to Western capitalism, China's approach to capitalist development is not in full compliance with free market norms.[17] This is visible in the way the state has carved and controlled the space for the private sector, both within and outside China. China's BRI is a combination of development assistance, concessional and commercial finance with the dominant involvement of the Chinese state as a financier. Under this model, the private sector's involvement primarily serves the interest of the Chinese state and the profitability of the private sector is contingent upon state approval. In comparative terms, in the Chinese model the private sector is an instrument of the state, whereas in other infrastructure initiatives, the interests of the state and the private sector are more aligned. Mutuality in decision making therefore influences policy making.

Finally, infrastructure connectivity under the Global Gateway also explicitly mentions security, which is designed to:

> **"build capacity in the face of natural or man-made challenges, physical, cyber or hybrid threats, and economic coercion for geopolitical aims. They will ensure that citizens are shielded from unwarranted surveillance by public authorities or private companies."[18]**

On the whole, the EU's geostrategic and foreign policy goals are presented as a means for enhanced investment opportunities for EU companies, opening up trade opportunities and a revival of domestic labour markets. The Commission has framed helping recipient countries as also being helpful to EU Member States:

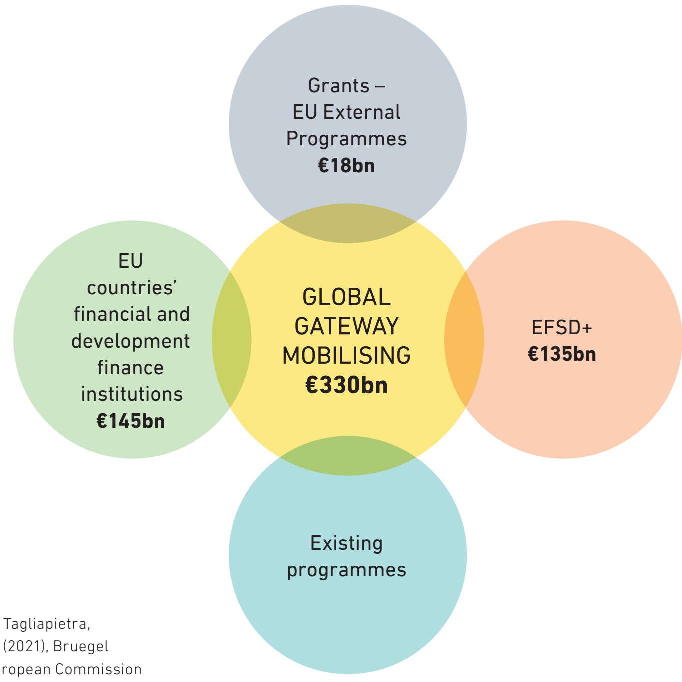
> **"In assisting others, the EU will also be contributing to the promotion of its own interests, to strengthening the resilience of its supply chains, and to opening up more trade opportunities for the EU economy, in which approximately 38 million jobs are dependent on international trade."[19]**

Table 1: Overview of geopolitical competition for global connectivity

Global connectivity strategy	Year established	Package size	Nature of package	Financial Instrument
China's Belt Road Initiative (BRI)[20]	2013	Over US$1 trillion (estimated)[21]	State-led with private sector as an instrument	China State Bank and China Exim Bank. Subsidies to private sector companies by the state
Japan Partnership for Quality Infrastructure (PQI): Investment for Asia's future[22]	2015	US$110 billion	US$110 billion State and private sector as partner	The Japan International Cooperation Agency (JICA) The Japan Bank for International Cooperation (JBIC) Asian Development Bank (ADB)
UK's Clean Green Initiative[23]	2021	Over US$3,454 billion (five years 2021-2026)	State and private sector as partner	British International Investment
EU's Global Gateway[24]	2021	US$298 billion	EU Commission with private sector as a partner	European Investment Bank European Development Finance Institutions (DFIs) In discussion: Establishment of EU Export Credit Agency
US-led Build Back Better World (B3W),[25] (under the auspices of the G7 – following US domestic Build Back Act)	2021	No set amount but aim to contribute to US$40 trillion infrastructure gap in low- and middle-income countries	State and private sector as partner	US International Development Finance Corporation (DFC)
G7's Global Investment and Infrastructure Partnership Plan[26]	2022	US$600 billion	G7 countries with private sector as partner	Leverage a total US$600 billion of private and public funds by 2027, with President Biden claiming US$200 billion over the next five years would come from the US Public funds from G7 development finance and export credit agencies

The next section of this briefing explores the nature of the Global Gateway to better understand how it mainly reorients, repackages and extends the EU's *existing* international development plans, on the back of commercial interests.

Figure 1: Financial structure of the Global Gateway



Source: Tagliapietra, Simone (2021), Bruegel from European Commission

European Fund for Sustainable Development plus (EFSD+), €135 billion in investment foreseen under EFSD+, where the EU provides €40 billion in guarantee capacity – of which €26.7 billion via EIB and €13 billion via a EFSD+ new window dedicated to Global Gateway, targeting national financing and development finance institutions.

EU external assistance programmes: €18 billion in grants.

EU countries' financial and development finance institutions: €145 billion in planned investments.

Existing programmes: Pre-Accession Assistance (IPA) III, Interreg, InvestEU and Horizon Europe will also be used to mobilise resources under Global Gateway.

Under consideration: Option to develop the European Export Credit Facility to complement existing credit arrangements by EU countries and increase overall firepower in this area.

a. Rebranding and repackaging: No new financial resources

The Global Gateway's ambitious goal of achieving poverty alleviation, whilst simultaneously creating jobs within the EU, is based on the Commission's plan to 'mobilise' up to €300 billion between 2021-2027 in infrastructure investments. However, this amount is not a contribution from the European Commission, but a hypothetical mobilisation based on unreliable and non-transparent methodology.

The main problem arises from the fact that the sum of €300 billion actually draws on tools that have already been adopted as part of the EU's 2021-27 budget (see Figure 1). In fact, the Gateway is to be delivered through the 'Team Europe' approach – bringing together the EU and its Member States and their financial and development institutions, including the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). This is tantamount to rebranding of development funds. It is important to note that prior investment commitments that underpin the Global Gateway primarily consist of loans and guarantees, and the grant amount is limited to €18 billion, delivered through the EU's external assistance programme.

However, EU Member States' financial commitment to the Global Gateway is still unclear, which casts uncertainty over the EC's capacity to mobilise the target amount. The degree of political support from all Member States is also not clear. Member States may be waiting to see how the Global Gateway will take shape beyond the existing Team Europe Initiatives but the certainty of the plan is contingent on a consensus beyond an EC-led project.[27] From an internal governance perspective, the Gateway's everyday operation may create another layer of bureaucracy, to be supported by existing governance mechanisms. Existent development plans, including NDICI-Global Europe, are formally enshrined in EU Law (Regulation 2021/947), while the Gateway is not. As research by think tank ECDPM notes, this can lead to duplication of decision making as well as tensions between the Commission and the Member States.[28]

The repackaging of existing development commitments with a limited grant element is not simply a question of creating a new brand, it is at best an uncertain – and at worst a dishonest – promise, since recipient countries are offered a vision of future investments as opposed to actual investments. The Gateway has received much criticism for representing the *potential* for crowding in of private investment as actual investment.[29]

In fact, the EU-Africa investment package, which has been presented as part of the Gateway project, was named as a case of 'magical engineering' for promising half of the funds (€150 billion) to be invested in Africa.[30] As Eurodad and Afrodad argued at the time of the EU-Africa Summit in February 2022, the lack of new funds in the absence of an intellectual property waiver to end the on-going vaccine apartheid and failure to rechannel EU's Member States' Special Drawing Rights (SDRs) to countries in need is nothing short of an empty promise.[31]

> **"I want to make sure that our African friends manage expectations. Global Gateway, my understanding, is not $150bn euros of new money in a facility here at the European Union. It is really the aggregation of existing facilities, financial institutions of member states. So that has to be very clear so that we know what the opportunity is."**
>
> Amadou Hott, Minister in charge of Economy, Planning and International Cooperation of the Republic of Senegal[32]

The main idea is rooted in the concept of leveraging, which assumes that public money is able to mobilise private investment for specific projects and activities. However, the concept of leveraging is problematic in many ways. It is not based in any agreed methodology for estimating leverage ratios, which has led to different institutions calculating different ratios for the same sum of investment.[33]

Additionally, there can be problems with double counting when some Development Finance Institutions (DFIs) fail to make a distinction between public and private finance.[34] It has also been argued that there is an inverse correlation between leverage ratios and development additionality. A high leverage ratio may indicate that there is a large private investment leveraging a small amount of public support, which is in fact the development component of the equation.[35]

The Gateway's targeted mobilisation amount of €300 billion is roughly based on a ballpark leverage ratio of 10. This means that, for every €1 of public finance, €10 will be mobilised in private finance.[36] This amount is based on the activities of the EFSD+, which are still in early days, and have been questioned by the European Court of Auditors for being surrounded by "lots of hopes and expectations" but not so much reality.[37]

The concept of leveraging is in fact ambiguous. It is not a guarantee of investments and it varies based on a range of factors. In the case of EFSD+, the leverage ratio may vary with the type of instruments being used, the changing country context and the nature of projects.[38] As noted by development finance experts, a high leverage ratio – which is often a subject of policy debates – cannot be considered as an end in itself, unless the financial additionality of the project is demonstrated.[39]

Recent research by Overseas Development Institute (ODI) shows that, although Multilateral Development Banks (MDBs) and DFIs have been promoting their activities on the basis of high leverage ratios, this is not akin to mobilising private investment at scale.40 Mobilisation amounts remain contingent on rolling out new financial products, which serve as incentives awarded to investors. Given the layers of complexity surrounding the basis for leverage, the mobilisation of €300 billion as a concrete commitment by the EU to recipient countries may in fact be an empty promise.

b. The reorientation of international development assistance towards commercial interests

The Global Gateway has been designed to court a set of different ambitions, which have been reduced to the narrative of 'mutual benefits'. On the one hand, the EU aims to respond to the economic needs of recipient countries by supporting their incorporation in global value chains, mainly through the export of raw materials. Whilst on the other hand, doing so will also help the EU's own domestic market, by creating opportunities for EU companies investing abroad. However, this does not necessarily mean contributing to a sustainable socioeconomic development path. This narrative around mutual benefits is now driving the EU's developmental role.

Here it is important to mention that the EU's foreign policy objectives have also been reflected in its development initiatives in the past. For example, as mentioned earlier, following the increase in migration the EFSD aimed to help address the root causes of irregular migration and strengthen partnerships in Africa and the EU's Neighbourhood countries.[41] However, under the Gateway, the ESFD+, which provides budget guarantees and blending mechanisms, will play a special role that is focused on securing European business interests:

> **"Financing supported by EFSD+ will rely 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. Attention will also be paid to ensuring that trade and investment is not distorted when the EU finances projects in third countries."[42]**

As noted by Devex, the Global Gateway can be traced to the White Paper on foreign subsidies launched by the Commission in 2020, which was concerned about market distortions as a result of foreign subsidies. However, it is not clear how the loss of procurement opportunities for EU businesses supports the EU's poverty alleviation initiatives in recipient countries.

A new proposal of establishing an EU Export Credit Facility under the Gateway is similarly accompanied by motivations for enhancing and securing market opportunities for EU businesses. Although the facility, its operations and governance structure are still under consideration, the EC is quite clear on its role:

> **"The 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, and thus facilitate their participation in infrastructure projects."[43]**

The impetus for an EU Export Credit Facility has been in the making for some time and builds primarily on concerns about the EU's waning international presence in global markets. In 2021, the Export Finance Lab Think Tank, ExFi Lab, published a White Paper that highlighted EU companies' competitive disadvantage in relation to large trading partners in third countries.[44] The paper called for a coordinated provision of public finance to EU companies and focused on the convergence between international development institutions and Export Credit Agencies (ECA).

An ECA (or investment insurance agency) is a public agency that provides government-backed loans, guarantees, credit and insurance to private corporations from their home country when they are seeking to do business overseas in developing countries and emerging markets.[45] They therefore have a specific role in promoting the interest of national companies in third countries. However, with the promotion of a development agenda focused on mobilising private finance in support of development projects, DFIs are often operating in a similar space. The similarity lies in the fact that, despite having a specific developmental mandate, DFIs may inadvertently be promoting national exports, as they support the activity of private sector companies operating in third countries.[46]

This role can complement the ECA role, which is specifically about promoting the internationalisation of national companies. Although the World Trade Organization (WTO)'s Agreement on Subsidies and Countervailing Measures (ASCM) regulates official supported export credits and prohibits subsidies such as development aid, the rise of private financing under the umbrella of official development assistance makes this unclear.[47] A lack of information about Global Gateway's approach towards mobilising public resources beyond development aid raises concerns, particularly with respect to questions of enhancing the role of DFIs to leverage ECAs and vice versa. In a press release on Export Credits, the Council of the EU expressed:

> **"support for analysing the opportunity of enhanced coordination and of an EU export credits facility as a complement to national export credit facilities, to development aid, and to investment support, both at national and EU levels, and notably to the Neighbourhood, Development and International Cooperation Instrument (NDICI)."[48]**

The increasing push towards complementing the role of DFIs and an EU Export Credit Facility under the Gateway increases the likelihood that the mandate of DFIs will be reoriented to serve geopolitical over development priorities. It also raises the question of who will ultimately be leveraging whom? Concerns regarding tied aid – i.e. official development assistance (ODA) that is restricted to the procurement of goods and services of the country providing that aid – have recently increased with the changes of rules that govern ODA, which allow for the reporting of private sector instruments as ODA. Whilst development assistance cannot be explicitly used to subsidise trade through export credits, the creation of an environment that facilitates trade through indirect aspects of development assistance can ultimately lead to an increase in commercially motivated aid. As an example, it can be extremely hard to gauge the impetus for providing development assistance in sectors that are commercially viable for donor countries. The leveraging and harmonisation of ECA and DFI motives can further add to this difficulty.

Moreover, ECAs have been a controversial subject, especially as they are regulated by a set of 'Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence' (the 'Common Approaches'), which are not binding.[49] Instead, they follow a common political commitment to address environmental and social impacts as well as associated risks.[50] As documented by the CSO Bankwatch, the lack of binding regulation has meant that ECAs' operations are not in full compliance with EU law, including in assessments of environmental and human rights risks.[51] Project transparency also remains a concern.

At the same time, DFIs are also not without their problems, in spite of their specific development mandate. To give an extreme example, the Dutch DFI, FMO, has recently been highlighted for its role in funding a controversial project and supporting an investment model that endangered the life of an environmental activist.[52] On the whole, the DFI model relies on the assumption that poverty is alleviated through private sector-led growth, leading to a persistent focus on job creation. However, this assumption is based on a trickle-down approach to economic growth, which has failed to materialise and has been a consistent topic of critique[53]. Promoting a vision for the Gateway in which public finance supports private sector interests, even when "articulated alongside development finance",[54] risks overriding sustainable development outcomes to the benefit of private sector interests.

These issues are all the more relevant, considering the increasing dissonance between Western and developing country interests and priorities in the aftermath of the Russian invasion of Ukraine. Many African countries were neutral on the issue of sanctions and wary of double standards[55]. A diversion of the EU's aid priorities towards humanitarian support for Ukraine was also a concern[56]. Given the EU's existent fears over loosing African support,[57] the Gateway's pledges and commercial focus may further alienate developing countries.

Against this complex backdrop, some analyses have focused on the potential complementarities between EU's development assistance and its foreign policy and commercial objectives.[58] However, these approaches fail to consider the implications of merging commercial and geopolitical interests with international development, primarily in its move away from development effectiveness principles. These principles, conceptualised in the Second High Level Forum on Aid Effectiveness (2005), called the Paris Declaration, focus on how developing countries can make the best use of development finance including by enhancing democratic ownership of their development strategies, use of their local systems, for example in the procurement of goods and services, as well as establishing mutuality of accountability between donors and recipients. As foreign policy and private sector profitability dominate the policy space, these can easily be contravened. In fact, shifting EU development policy towards a more business-oriented role might create unease and a lack of consensus among Member States.[59]

Case study: The Lake Turkana Windfarm Public Private Partnership – A model example of DFI funding and an Export Credit Agency?

The Lake Turkana Wind Power Project (LTWP) is a Public Private Partnership (PPP) for electricity generation using wind power in the Marsabit District in Kenya. The project aimed to generate 300MW from wind energy to be injected into the Kenyan national grid. It was operated by the Lake Turkana Wind Power Ltd (LTWP), a consortium of foreign and local entrepreneurs, and its preparatory phase started towards the end of 2005. In accordance with the Power Purchase Agreement (PPA), the energy was to be bought at a fixed price by the Kenya Power and Lighting Company PLC.

Funding for the €623 million project was supported by the African Development Bank (AfDB), European Investment Bank (EIB), the Standard Bank of South Africa, Nedbank, Netherlands Development Finance Company (FMO), Proparco, East African Development Bank (EADB), PTA Bank, EKF, Triodos and the German DFI, DEG. Additionally, the Danish Export Credit Agency Eksport Kredit Fonden provided €120 million of guarantees to the project.

AfDB was the mandated lead arranger for the project and organised approximately €436 million of senior loan facilities and €37.5 million of subordinated loan facilities for LTWP. The Netherlands government also provided a grant of €10 million and the European Union a further €25 million, through the EU Africa Infrastructure Trust Fund.

A collection of Nordic development finance institutions, including the Industrial Fund for Developing Countries, Finnish Fund for Industrial Cooperation Ltd and Norwegian Investment Fund for Developing Countries, made up the balance of the equity, together with the Danish turbine supplier Vestas and a minority local shareholder. The initial developers of the project, KP&P Africa – a consortium of Dutch and Kenyan businesspeople – were joined by UK Aldwych International in 2009. The project achieved financial close in 2014 and reached operations in early 2019.

While the project was hailed as a successful example of financing by regional and bilateral DFIs, commercial banks and an export credit agency, it was in fact emblematic of the problems associated with PPP projects across the world. The major issues with LTWP included exorbitant costs to taxpayers, transparency issues and human rights abuses.

Although the project was developed as the least costly power development plan, it ended up incurring significant costs for Kenyan taxpayers. An estimated Sh10 billion (€83.3 million) were paid by Kenyan taxpayers as a result of delays in completion of a transmission line. In effect, owing to the nature of contract between Kenya Power and LTWP, citizens were forced to pay for power they did not receive. Additionally, they will also pay a higher cost for electricity because of a revised tariff hike.[60]

The World Bank withdrew from providing a guarantee to the project owing to multiple issues. These included the project's huge scale, which was considered unfeasible for completion; a lack of competitive basis for ensuring cost-effectiveness; the nature of the Power Purchase Agreement (PPA), which exposed the domestic utility company to a high financial risk; and an unrealistic timeline for construction of the transmission line.

Moreover, the tendering process for the transmission line was biased in favour of Spanish companies. The Spanish government offered concessional tied financing to Kenya under a bilateral financing cooperation agreement, which was conditional on the transmission contract being awarded to a Spanish company. The tendering process therefore selected two Spanish companies, but there were transparency issues in the selection of the final preferred bidder company.[61] This company went bankrupt during the course of the contract and the process had to start again. The project was also on a contested site; as indigenous communities were not asked permission to use the land on which the plant was built. In 2021, the Kenyan Environment and Land Court in Meru declared the title deeds to the land on which the LTWP stands irregular and unlawful.

The LTWP case shows that development needs cannot simply be solved by increasing sources of finances. Expanding the size of investment to pool developmental and commercial finances, guarantees and export credits cannot mitigate against flawed models that prioritise private sector profits over public interests.

2. Infrastructure: A world of mega-corridors, digitalisation and market connectivity

A central tenet of the Global Gateway is connectivity based on a strong emphasis on the idea of 'sustainable infrastructure'. Infrastructure finance through the Gateway is directed towards physical transnational infrastructure as well as digital infrastructure. Physical infrastructure includes logistical hubs such as railways, transport corridors, fibre optic cables, resource pipelines and power transmission grids. Digital infrastructures include digital data networks such as basic internet, cloud storage and service software, secure communication networks, submarine and terrestrial fibre-optic cables and artificial intelligence. To these ends, the Gateway focuses on connectivity hubs such as infrastructure corridors.

The provision of infrastructure is also accompanied by the implementation of an "enabling environment to make sure projects deliver, by offering attractive investment and business friendly trading conditions, regulatory convergence, standardisation, supply chain integration, and financial services".[62] In short, financing of infrastructure through the private sector is also supported through significant institutional, regulatory and policy changes for market creation. Climate sustainability also features heavily in this discussion through the use of so-called 'green corridors', which rely on advanced technology to achieve energy efficiency and reduced environmental impact.

This vision of a global infrastructure connectivity project is based on an international financial institution (IFI)-led consensus on the need to fill an infrastructure 'financing gap'. According to the 2015 Addis Ababa Action Agenda, this amounted to $1 trillion to $1.5 trillion annually in developing countries.[63] More recently, the G20 Infrastructure Investors Dialogue has predicted that this gap will reach $15 trillion or higher by 2040.[64]

The prevailing narrative claims that this gap cannot be filled by public finance, since aid and budgetary resources are limited. As a result, it argues that the gap must be filled by private sector finance through a host of complementary initiatives led by the World Bank, MDBs and the G20.[65] The assemblage of digital infrastructure is also being promoted, especially in the wake of the on-going pandemic, which highlighted the need for better online connectivity and digital services.

However, the need for physical and, more recently, digital infrastructure stems from a particular vision of financing that prioritises the private sector and focuses on the provision of all infrastructure-related services as a commodity. Private infrastructure financing is designed to transform citizens into consumers, regardless of the service in demand. This means that the provision of a road, bridge, regional corridor or an e-commerce facility that serves the essential means of livelihood, especially in the advent of a global pandemic, are only possible if citizens can afford to pay user fees.

In addition, private infrastructure financing also offers a vehicle for commodifying basic public services such as health and education, which are also being digitally transformed via e-health and e-education. The Gateway's vision of connectivity operates to consolidate the interests of large private sector actors based in donor states as well as in recipient nation states. Mediated by donor and recipient states, strengthening this approach towards regionalism entails significant regulatory changes in recipient countries, often at the expense of public interest.

Infrastructure public-private partnerships (PPPs) have been a historic example of this.[66] Privately financed infrastructure projects that suit the domestic private sector with the support of international capital are extremely capital-intensive and therefore a lucrative source of potential profit for the private sector. They incur long-term repayment cycles, which are a source of country indebtedness and a high burden to citizens of developing countries.

This approach to financing infrastructure is ultimately beneficial for market regionalism but the evidence for development regionalism is lacking. In a recent report, Eurodad and Society for International Development (SID) challenged this mainstream narrative of infrastructure as a commodity and provided an alternative vision, which privileges public interest and puts human need and development at the centre (see Box 5 and 6 overleaf).

Box 5: Biased assumptions that promote private investment as key to financing infrastructure

- First, the overwhelming emphasis on a private finance approach that assumes public financing methods are incapable of filling the 'financing gap' only tells one side of the story. It fails to account for systemic issues that can be tackled through international cooperation and policy choices, yet remain unsolved and continue to further expand such a 'financing gap' for developing countries: tax abuse and illicit financial flows; unsustainable and illegitimate debt (or the need for debt architecture reform); predatory trade and investment agreements; (not) meeting internationally-agreed ODA commitments in quantity and quality; and (barriers to) technological transfers. The current economic order creates the problem and then offers a false, yet profitable, solution to the problem it has itself generated.
- Second, the firm belief in private finance as the only solution leads to the assumption that the role of MDBs and governments should be to act as facilitators for private finance as their ultimate end goal. This approach implies a new, and problematic, way of framing the role of MDBs, namely as institutions that 'de-risk' private investments in developing countries, and 'create markets' for private investors. In the context of the Covid-19 crisis and the climate emergency, new markets for health and climate infrastructure will likely become 'investment opportunities' for institutional investors.
- Third, it assumes more private finance is inherently good, while failing to acknowledge that the type of infrastructure projects designed to attract private investors and generate quick returns might not match the public interest and national priorities. While it is true that many developing countries face important infrastructure needs – such as schools, hospitals, water, sanitation, electricity and roads – it is not easy to unpack what current estimates of the infrastructure needs include, and one could argue that these figures are calculated on the basis of the mainstream growth-oriented paradigm, which is not ecologically sustainable.

Source: Eurodad and SID (2021) *Reclaiming sustainable infrastructure as a public good*

Box 6: Sustainable infrastructure as a public good

An alternative approach to sustainable infrastructure rests on the following measures:

1. **Scale up publicly financed infrastructure, particularly in social sectors**. Public financing is often less costly, more financially sustainable and more directly accountable to citizens than private financing. Moreover, public interventions are critical for social equity reasons or where social returns are much larger than private returns. This requires:
    a. **Putting in place an ambitious plan at the international level to increase domestic resource mobilisation**, including through clamping down on losses of public resources through tax abuse, dealing with unsustainable debts through a new fair, democratic and transparent sovereign debt workout mechanism, withdrawing from and/or rejecting new unfair international trade agreements, and increasing the levels and quality of international concessional resources
    b. **Promoting industrial policies as an essential part of national development strategies for countries in the global south**. These can enable countries to move away from commodity dependency and export-oriented strategies and move towards socioeconomic transformation through diversified, dynamic, inclusive and sustainable economies.
2. **Rethink the promotion of private finance for infrastructure**. An infrastructure finance agenda focused on developing 'infrastructure as an asset class' and promoting PPPs risks undermining progress on meeting the SDGs. Private finance might be appropriate in some circumstances, but only when democratically owned development plans are followed, high-quality and equitable public services are prioritised, and international standards of transparency and accountability are met. National governments should preserve their capacity to regulate in the public interest.

3. **Improve the quality and sustainability of infrastructure, including its systemic considerations**. Sustainable infrastructure and its financing mechanisms must be rooted in human rights and socioeconomic transformation, high standards of democratic accountability and take an intergenerational approach to climate adaptation.

   This includes:

   a. **Prioritising measures aimed at improving governance.** The governance of infrastructure concerns the prioritisation, planning, financing, regulating, contracting and monitoring of the built assets and associated services that are essential for economic diversification and human development.

   b. **Integrating resilience into planning and delivery systems**. New and existing infrastructure development must take a systemic perspective into consideration when planning for resilience in a broad sense (social, economic, ecological). Infrastructure must be designed and adapted to withstand, respond to and recover rapidly from disruptions related to environmental hazards caused by climate change. It also requires considering the disproportionate impact of disruptions on the lives of girls and women, and transgender people, due to existing inequalities and gender-based roles, and adopting measures to reduce and eventually eliminate inequalities.

   c. **Promoting people-centred regional connectivity**. This includes creating decent jobs, stimulating local economic development, protecting the environment, reducing inequality, promoting gender equality and social inclusion and building peace.

Source: Eurodad and SID (2021) *Reclaiming sustainable infrastructure as a public good*

The trouble with corridors

A major priority of the Global Gateway's infrastructure connectivity is to use 'Strategic Corridors'. Under the EU-Africa Global Gateway, the Commission has outlined investment in 11 logistics corridors in Africa that are designed to develop 'multi-country infrastructure' as well as harmonising regulatory frameworks.

Corridors can be generally defined as inter-regional road, rail and other transport infrastructure, linking major production and resource extraction centres with major consumer centres. However, their role goes beyond simple connectivity. In two reports jointly published by Counter Balance and the Corner House,[67] the role of corridors has been critically analysed to investigate their rationale and course of action in depth. The reports find that Corridors are a careful attempt to "re-engineer economic geography" to ease the flow of capital by reducing distance and time and eliminating bureaucratic barriers through the standardisation and harmonisation of regulatory frameworks. While these goals enhance commercial success by offering better profitability, they come at the detriment of labour and ultimately at the expense of long-term socioeconomic growth. These problems can be summarised as follows:

To ease the flow of goods and services, corridors are transformed into free trade zones in which tariffs, border controls and bureaucratic controls are progressively eliminated. Workers' rights and wages are also eroded as corridor planners form pools of cheap labour by "agglomerating" people into clustered economic zones. Laws protecting workers and the environment are often waived in these zones. The harmonisation of laws within transboundary corridors is often downwards, not upwards.

With the outsourcing of production and services, transport became a highly lucrative service industry. Corridors, including logistic hubs, are designed as zones of exception – increasing the bargaining power of companies to arbitrate the wages of labourers. Corridors compete globally to attract businesses and offer the lowest wages to secure maximum interest. This has a huge impact on domestic labour laws. Corridors therefore pressurise countries to become a source of employment but not a source of sustainable employment.

3. Is the Global Gateway a positive offer for recipient countries?

The Global Gateway has been designed as a promise to recipient countries – offering a superior kind of investment model with positive developmental impacts, pledging existing development funds. So far, we have contested the rationale for reorienting international developmental goals to become aligned with geopolitical and foreign policy ambitions. In conjunction with this, it is also important to interrogate the basis for the Gateway as a 'positive offer' to recipient countries, since it claims certain characteristics that are financially and environmentally sustainable and development-oriented. As we have mentioned above, the European Commission presents the Gateway's model as informed by European democratic values with an emphasis on good governance, high transparency, high standardisation and enshrined in the rule of law to protect human rights, whilst also alleviating the role of the private sector and accounting for security concerns (see Box 2 on page 6).

From an international development perspective, the claims of this positive offer fail to stand up to scrutiny due to a lack of evidence. As already mentioned, the financial pledges in the Gateway contain only €18 billion in grants, under the EU external assistance programme. The remaining investments would incur debt. Demonstrating debt sustainability of these investments is crucial in the current context, as many developing countries are struggling with a historic debt crisis in conjunction with a global food crisis. The situation for many African countries is particularly precarious.[68] Total external debt stock in Africa reached $702.4 in 2020.[69] According to figures released by the IMF in 2022, a total of 22 countries, including majority of African countries, were either in debt distress or high risk of falling in debt distress.[70]

Moreover, to ensure democratic ownership of development projects, policy conditionality has to eliminated. In the past, this has not been the case. A recent example is the EU's 2020 Covid-19 Macro-Financial Assistance (MFA) assistance package of €3 billion to 10 enlargement and neighbourhood partners. In spite of the severity and the pressure of the fiscal burden on countries, financing under the MFA programme was made conditional on the recipient countries' satisfactory track record of implementation of commitments agreed with the International Monetary Fund (IMF).[71] This conditionality strictly binds EU interests with that of the IMF, reinforcing the recipient countries' dependency to adhere to IMF loans in order to receive much-needed assistance from the EU.

As reported by the Tunisian newspaper Meshkal, in the case of Tunisia, the Memorandum of Understanding of the EU's Covid-19 assistance package with Tunisia is also contingent on other specific reforms between the IMF and Tunisia.[72] One such reform is that, to be eligible for the EU Covid-19 MFA, the Tunisian government will need to continue its strategy of implementing reform of the civil service, such as capping wages. These demands on citizens in the current era of inflationary prices will exacerbate food insecurity and are in fact very reminiscent of IMF demands on Tunisia in the wake of the 2010-2011 Arab Spring. The Global Gateway needs to move away from this recent past if it is to offer countries investment policies that do not exacerbate current dependencies or create new ones.

Unfortunately, the efforts of EU development finance are far behind this. The role and additionality of Team Europe to the EU's existing development initiatives is not clearly established. Beyond the enthusiasm of a handful of Member States, Team Europe's response through the mobilisation of funds is limited.[73]

As Concord's 2021 report on EU development assistance quotes, "The Commission itself recognises that Team Europe is still a fledgling initiative and there is much yet to do in terms of agreeing objectives, devising ways of working and improving effectiveness".[74]

The principle of good governance and adherence to democratic values also needs to go a long way under the Global Gateway when considering the role of EU DFIs in the context of transparency and accountability. For example, civil society has been raising concerns about the EIB's poor record on climate sustainability,[75] human rights abuse, lack of transparency and accountability.[76] The lack of effective support for democracy has also been a subject of critique by civil society in the EBRD's operations.[77] Recently, the absence of information on EIB's newly launched development branch, EIB Global, was also discussed.[78]

Another problem that poses fundamental challenges to the operation of the EU's DFIs is the steady adoption of voluntary standards and initiatives to self-regulate their policies. Implemented under the auspices of the Organisation for Economic Development and Cooperation and the UN Development Programme (OECD-UNDP), initiatives such as the Private Finance for Sustainable Development (PF4SD) standards have introduced a code of self-imposed voluntary governance standards, which are deemed effective in solving problems such as environmental and human rights abuses.[79] Without binding legislation, these standards are not simply ineffective, they are also a distraction from the real problems of ongoing abuses. As mentioned earlier, FMO's recent scandal provides a telling case of how transparency and accountability need to be more than a ticking box exercise.

A positive offer to partner countries must be based on evidence of real partnership. At the moment, the role of recipient countries remains unclear. For instance, according to EC officials, involvement of recipient countries will happen mostly as part of the joint programming process between the EU and recipient countries, as most resources under the Global Gateway will be directed through the EFSD+. The internal governance model of the Gateway spells out different stakeholders including the EU delegations, member states and a new Business Advisory Group, in addition to "an awareness raising campaign" in recipient countries to explain the Global Gateway approach[80]. However, investment decisions in recipient countries cannot simply be a business, bureaucratic or political decision that speaks to the interest of EU, the private sector and recipient country elites. It has to be a long-term strategy to enhance public finance and public services, through an inclusive process that involves a broad range of local stakeholders.

Moreover, it also requires meaningful investigation into the nature and goal of financing. The greening of infrastructure and delivery of green tech solutions to recipient countries needs careful consideration, which is often lost in the hype of buzz words like sustainability. As pointed out by many civil society experts and academics, renewable energy could become the new Trojan, which in fact displaces surplus from developing countries to developed countries.[81] The promotion of expensive infrastructure to developing countries for the purposes of exporting renewable energy to Europe could contribute to developing countries' indebtedness, as well as distorting prices in domestic energy markets.

As the global economy moves towards global recession, geopolitical competition will also be unsustainable unless it responds to the reality of developing countries. China's BRI is suffering from the impact of the deteriorating financial crisis.[82] China has been pursuing a combination of strategies, including deferred payment schedules and interest rate negotiations to ease the debt burden of developing countries. It recently announced debt forgiveness of 23 interest free loans to 17 African countries, as well as redirecting $10 billion of its IMF reserves to African countries.[83] This not only shows that the Global Gateway needs to rethink its financing model, but also that – without support of EU Member States to a multilateral debt resolution framework under the auspices of the UN[84] – the export of an expensive development model is just another form of debt escalation.

The EU Global Gateway is based on a flawed model of trickledown economics that cannot guarantee prosperity in either the EU or developing countries.

Conclusion and policy recommendations

The EU Global Gateway is presented as the response towards a lasting global recovery. However, discussions on the multiple facets of the Global Gateway in this briefing has shown that this is currently an EC-led initiative primarily focused on creating a new brand and not on substantive new funds or initiatives. The reorientation of the EU's international development agenda to merge with a geopolitical and commercial strategy is a risky endeavour which can impact EU's credibility as a global development actor.

As this briefing shows, presenting the EU Global Gateway as a strategy that can serve both EU's foreign policy and development objectives is problematic on many grounds. This is particularly the case in times of interconnected crises, which may be leading the global economy towards a recession.[85] IMF research predicts a dismal future with growth figures projected to slowdown from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023.[86] Developing countries are suffering the most from the impact of rising energy and food prices whilst struggling against ecological breakdown. This situation cannot be ameliorated without access to long-term sustainable finance focused on socio-economic transformation in the global south.

The problems of the Gateway model, including a lack of fresh resources, prioritisation of private sector interests, rush towards geopolitical competition and lack of transparency are all the more important as the Global Gateway is not binding through specific EU legislation, and there is a lack of public scrutiny. Although the Gateway is premised as a "partnership" offer to recipient countries, the official documentation is overwhelmingly focused on the role of EU institutions, private sector and diplomatic presence including the creation of the Business Advisory Group and a potential EU Export Facility.

The Global Gateway attempts to equate the solution for the EU's domestic economic stagnation with its international development agenda by prioritising the private sector and geopolitical interests. This strategy is based on a flawed model of trickledown economics that cannot guarantee prosperity in either the EU or developing countries. On the contrary, it should be the starting point for reimagining the EU's responsibility to its citizens and the world at large.

In light of this, Eurodad and Counter Balance call on EU Member States and EU institutions to consider the following policy recommendations:

Clear development rationale

- The EU Global Gateway should be guided by a clear development rationale, to make a meaningful contribution towards poverty reduction, and the fight against inequalities and climate change. The focus on de-risking private investments should not be a mere objective of this initiative:
  - A participatory and inclusive process should lead to the establishment of the Global Gateway's strategy and clear guidelines should be adopted to ensure that resources are not diverted from development objectives.
  - The notion of "connectivity" under the Gateway has to be replaced with a vision of "people-centric development" which seeks to address human welfare. Meeting people's needs has to be the focus of regional infrastructure investment, which must include decent job creation, stimulus for local economic development, environmental protection, poverty reduction, reduction of gender inequality and social inclusion.

Enhanced transparency

- The EC should ensure transparency of decision-making, process and structure of the Global Gateway initiative. It should clearly define the role of Member States, publicly disclose the complete list of projects, their social and environmental impact assessment, the mandate and activity of the proposed new Export Credit Facility, as well as the mandate and composition of the new Business Advisory Board.

Enhanced democratic governance

- The governance model of the Global Gateway needs to be reviewed to ensure democratic ownership of development strategies and meaningful participation of a broad range of stakeholders, both in partner countries and in Europe, including the European Parliament and civil society.
  - Following the regulations which define development plans such as the Regulation on the Neighbourhood, Development and International Cooperation Instrument-Global Europe, EU institutions should adopt clear regulations and guidelines for the Global Gateway. This process should allow for an informed public debate on this strategy and to clarify its added value.
  - Developing countries' representatives, including local communities, have to be included in the governance of the Global Gateway to enable equal ownership.

The current context of multiple crises calls for a development strategy that centres on the welfare of the people and the sustainability of the environment. EU development funds are scarce and play a unique role in the support of countries and peoples most in need. It is imperative to avoid a controversial diversion to serve competing priorities. Without addressing these urgent needs, the EU's credibility as a key global development player is at stake.

> The EU Global Gateway is an EC-led initiative primarily focused on creating a new brand and not on substantive new funds or initiatives

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About Eurodad

The European Network on Debt and Development (Eurodad) is a network of 58 civil society organisations from 28 European countries. We work for transformative yet specific changes to global and European policies, institutions, rules and structures to ensure a democratically controlled, environmentally sustainable financial and economic system that works to eradicate poverty and ensure human rights for all.

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About Counter Balance

Counter Balance is a coalition of nine NGOs whose mission is to make European public finance a key driver of the transition towards socially and environmentally sustainable and equitable societies. Over the past decade, we have extensively monitored the operations of the European Investment Bank and led campaigns to make it a more sustainable, democratic and transparent institution.

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