

A GOOD GLOBAL GATEWAY PROJECT

Report

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The Connectivity Trilemma

Held under the auspice of the Belgium Presidency of the Council of the EU, the Tirana conference on the “External dimension of EU Connectivity” focused on the EU Connectivity Trilemma: how to navigate three different and sometimes competing objectives of

- i) EU geo-political imperatives;
- ii) assuring financial viability of EU-supported projects; and,
- iii) supporting local development in the beneficiary country.

Can EU connectivity offer a specific Global Gateway Project model that provides value for money, helps local development, and contributes to EU and its local partners’ resilience? How to make Global Gateway projects attractive for EU business actors?

To provide elements of response to those questions, below we will present an assessment of EU connectivity in South Europe Six (SEE6) during the last decade. Our methodological framework is empirical, uses the multilayered connectivity concept, and separates the arguments in four governance layers: politics, policy-making, programs and projects¹.

The Political Will

The integration of multi-layered connectivity into EU external relations, has been initially implemented in the framework of [Berlin Process](#) (BP) since 2014. A catalyzer of EU Enlargement in Western Balkans (WB6), BP integrates the political commitment of “willing EU Member States” that participate in it, with the EU grants and International Finance Institutions (IFI) loans to finance infrastructure projects.

BP has been providing political steering and support to the [South-East Europe 6 Connectivity Agenda](#) (SEE6 CA) latter transformed in the [EU Economic and Investment Plan for the Western Balkans](#) (EIP). Its political backing has been pivotal in providing visibility, inclusivity and the necessary push for EU-supported infrastructure projects in the region.

Currently EIP shares [six infrastructure](#) projects with [Global Gateway](#) in Western Balkans in rail, energy transmission, and clean energy. In all those six projects it is the political will of both EU and respective Western Balkans countries that condition their progress. The speed of Albania-located project “Corridor VIII: Construction of Durres – Rrogozhine – Pogradec – border to North Macedonia”, or the delays in Bosnia and Herzegovina-located segment “Mediterranean Corridor: Connecting North to South – Corridor Vc Samac - Doboj” rail, are clear illustrations of determining nature that the political will has in infrastructure projects.

The Policy-Making layer

EU-supported connectivity has become an instrument that allows the EU to tailor and amplify its political message towards its partners. The EU connectivity policy in WB6 prepares these countries for EU membership. Through its EU-backed Flagship Projects, EIP contributes to

¹ For a more detailed explanation and illustrations of those four layers see: [“Berlin Process 2014 – 2024: Rationale, Governance, Outcomes and Next Steps”](#), A. Hackaj and K. Hackaj, CDI eds. 2024

growth and development in the Balkans region, as in promoting EU good governance standards. The diffusion of EU standards and norms in WB6 infrastructure, the adoption of EU-based good governance, the inclusion of WB6 sectors in EU-supply chain, or the push to reach regional agreements supporting factor mobility and consolidating the regional market, are concrete EU connectivity policy objectives in the region.

Hence connectivity policies in Western Balkans are not only about roads, bridges, energy, or digital networks. To speed up the region's convergence with EU, they also support people-to-people (p2p), business-to-business (b2b), and institution-to-institution (i2i) links in the region and between WB6 and EU.

As a result, beyond the financial efficiency the promoters of an infrastructure project should assess how this project will interact with other sector-related policies and developments, them being EU- or beneficiary country sector policies. On top of this, they need to take into account its local development impact as well as project inter-relationship with a myriad of geopolitical and other resilience factors. Added to challenges inherent to working in 3rd countries, this overly complex nature of infrastructure projects impacts their attractiveness for EU business actors.

The main problem is that this multi-layered connectivity feature risks creating a multitasking problem where EU sets multiple objectives for itself when designing its connectivity policy in 3rd countries. This is at the heart of the EU Connectivity Trilemma.

How to construct a coherent framework that transforms efficiently the EU vision on connectivity into EU programs and projects, and match them with needed resources? How to deal with the cacophony of information flows? How to make engagement in EU-supported connectivity projects abroad attractive for EU companies?

The Good Global Gateway Project – reflection scenarios

In Western Balkans, the EIP has co-financed more than 85 infrastructure projects in transport, energy, digital, environment, etc. for a total of EUR 7,7 bn in EU grant support (without counting IFI-leveraged loans).

The nature of challenges that EU-supported infrastructure faces in this region ranges from political, institutional, and normative framework to business environment or cultural differences. The way EU and Western Balkans actors have dealt with provides valuable elements of response for a Global Gateway model.

During the [Tirana April 2024 conference](#), the main observations were separated in two groups: coming from EU actors and coming from SEE6 actors.

Some of the main success-conditioning factors raised by EU actors were:

- Need for the identified projects to be aligned with the national development plans of the beneficiary country. Outlier projects (i.e. that are not of the National Single Project Pipeline) carry the risk of being “pet projects” of local politicians;
- For projects that involve two (or more countries) there is a need to take into account cross-border coordination during the project planning, implementation and operation phases;

- It is becoming relatively difficult to “find” local mature projects that fulfil the conditions for EU and IFI support;
- Capacity of local institutions to implement the projects directly impacts its pace and success;
- The difficulty for EU companies to navigate the beneficiary country institutional and normative contexts needs to be factored in project life cycle;
- The ability (and willingness) of local partners to implement best international and EU good governance rules and standards in all the stages of project cycle management (PCM) carry hidden costs. For example, the quality of consultation of impacted communities (almost always responsibility local institutions) came up very often as a main contention point once the project was well under way;
- Involvement of EU-based companies in different Project Cycle Management phases of EU connectivity projects in the region must be proactively encouraged. Specific measures should be designed and embedded in respective EU programs and project documents;
- Increasing competition with 3rd countries requires a review of EU procurement procedures to detail and promote comparative advantages of EU support, as well as take into account the profile and needs of EU companies;
- There is a need to improve the communication about the projects and on their impact on the growth and development of the beneficiary communities.

On their side, Western Balkans actors raised the following points:

- It is of strategic importance for proposed WB6 projects to be part of EU connectivity networks (i.e. Trans European Transport Networks, Transport and Trans European Network - Energy) and / or covered by EU policies (i.e. EU Green Deal) as pre-condition for EU support and IFI financing;
- To increase the “local content”, EU bidders should involve, wherever possible, the local sub-contractors from the bid preparation phase;
- There is almost no data on developmental elements of EIP projects in the region such as capacity building efforts in running, maintenance, safety, training of local professionals, cooperation with local contractors, knowledge transfer; etc.;
- The relatively long time between project phases, mostly due to stringent EU procurement rules, makes EU- and related IFI financing less attractive. While the application of EU good governance standards is crucial, EU procurement procedures must be adapted to reflect competition pressure and the quick evolution pace of technology especially in digital sector;
- There is an acute need to navigate cost escalation during long project periods; to hedge the cost of exchange rate variations; or to bear the inflation cost of inputs. Usually, those costs are left to the responsibility of beneficiary and not covered by the already agreed EU grants and / or IFI loans;
- Specifically directed to the WBIF blending facility was the request for WB6 institutions to have more agency in project selection phase. Their demand is backed by the fact that EIP-related IFI and development banks’ loans are backed by beneficiary country sovereign guarantees;
- Equity financing presents a robust complement to IFI loans and EU grants when financing connectivity infrastructure. It does not impact the debt beneficiary country ceiling and most

importantly, serves as a powerful vector of transmission of EU good governance standards;

- High migration rates are depleting SEE6 local institutions and public companies from their best people, directly impacting their ability to implement the projects. EU and EU project promoters need to include “support for their counterpart local professionals” activities and budget when planning infrastructure projects;
- Interests of impacted local government units (LGUs) are not always represented when central government plan and negotiate large infrastructure projects. EU-supported projects should take this into account and plan accordingly.
- Local communities and local government units are the most impacted groups by infrastructure projects. Consequently, their consultation is part of every EU-supported project. However, both local communities and LGUs do not have neither the expertise nor the resources to meaningfully engage in infrastructure PCM. Hence each EU backed infrastructure project should have a “local content” budget line financed by the EU grant component, that: i) assists social actors and LGUs for a meaningful engagement in the said project, and; ii) goes directly to improve life of impacted citizen and provides residual benefits for them when the works are over.

In conclusion, after 10 years and 85 infrastructure projects in transport, energy, digital, environment, involving a total of EUR 7,7 bn in EU grant support there is a lot of experience and expertise available in Western Balkans that can provide elements of response to the questions raised by the Global Gateway Trilemma concept.

More than two years after the launch of the EU Global Gateway, there are many open questions about how it works in practice. Western Balkans experience teaches us that a successful project abroad starts with a clear political vision, is followed by realistic, coordinated and properly-funded policies; is based on an intense cooperation with beneficiaries at every project step and every institutional layer; develops in close coordination with private sector – EU and local; and specifically, requires intense groundwork with impacted communities.

All those elements reinforce the legitimacy and subsequently the success rate of Global Gateway projects.

This paper has been produced in the framework of the 2024 Berlin Process Spring Event
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