

Brussels, 12 April 2024

## **SMEs part of Global Gateway Strategy**

Trade Promotion Europe believes SMEs can contribute to Global Gateway as subcontractors, investors, and partners, provided that the Global Gateway Strategy takes a more SME-friendly approach. Trade Promotion Europe is therefore pleased to provide their input to the European Commission on the two questions asked ahead of the meeting of the Business Advisory Group of April 23<sup>rd</sup> 2024.

### **What are the pros and cons of Global Gateway flagships regarding the involvement of EU SMEs?**

Pro

1. **Attract attention:** Global Gateway flagships can encourage SMEs to consider entering new and more difficult markets, which they may otherwise not have considered. This may support European SMEs' presence in emerging markets.
2. **Networking and Partnerships:** Participation in Global Gateway projects facilitates networking and partnership opportunities for EU SMEs. This can lead to valuable business connections, technology transfer, and knowledge exchange, enhancing the competitiveness of SMEs in the global market.
3. **Political backing:** The political backing that comes with the EU's Global Gateway label can be useful for companies to overcome obstacles, which they often face in more difficult markets.

Cons:

4. **Complexity:** Participation in GG projects involves navigating complex processes, which can be challenging for SMEs with limited resources and expertise.
5. **Funding:** There is no dedicated financing mechanism under Global Gateway and no clear definition, which of the existing and relevant financing mechanisms belong to Global Gateway.
6. **Resource Constraints:** SMEs often face resource constraints, including limited financial resources, manpower, and time. Information on Global Gateway is dispersed and fragmented, which hinders SMEs participation.
7. **Competition with Larger Firms:** EU SMEs may face stiff competition from larger companies with greater financial and operational resources. Global Gateway initiatives favour larger firms, particularly in procurement processes or access to financing, limiting the opportunities available to smaller businesses.
8. **Risk Exposure:** International expansion entails inherent risks, including political, economic, and operational risks. EU SMEs participating in Global Gateway projects may be exposed to risks associated with doing business in unfamiliar markets.
9. **Limited relevance for companies:** Flagship projects are useful to make Global Gateway better known, but they can only be a starting point to engage the private sector in more breadth and depth. Companies do not look for flagships to participate but for tenders in their specific sector. Clarification is needed which tenders and projects belong to Global Gateway beyond those on the flagship lists.

### **What should be the main short term and long-term actions to improve the involvement of SMEs?**

Short term actions:

1. Create an '**information desk**' (**one-stop-shop**) at EU Commission level to provide guidance for private companies on Global Gateway including clear guidelines explaining (a) the process and (b) tailored indications on how to practically participate as an SME. This is particularly necessary for the flagship projects, which by nature are more complex and require more dedication – but also for smaller level modalities of engagement.
2. Simplify the **submission of project ideas** by private companies: There is currently no clear process for European companies to submit their project ideas. The EU side points out that national governments should officially submit project ideas from individual companies. At national level, however, there are usually no processes in place to support the submission of ideas, especially for SMEs and project ideas at an early stage. Communication between the EU delegations in the partner countries and the EU-COM in Brussels also does not yet appear to be institutionalized, meaning that interesting project ideas submitted locally are not always forwarded.
3. Support **facilitation of contacts** between companies, EU actors and beneficiaries, including stronger **B2B** focus with matchmaking among companies from Europe and beneficiary countries. Global Gateway initiatives such as the EU-LAC Digital Accelerator could be extended to other GG geographical priority areas, facilitating SME engagement with local partners.
4. **Smaller projects** should have the possibility to become Global Gateway (flagship) projects, be able to obtain financial support and guarantees from EBRD or DFI's; further integrate Export Credit Agencies (ECA) in the process to support smaller projects in beneficiary countries'.

5. **Align the timeline** between adoption of decision on global gateway and private decision to answer the tenders or call; speed-up the financial support once tenders are launched and companies selected.

Long term actions:

6. **Adaptation of eligibility criteria in public procurement** rules and tender procedures to guarantee access of SMEs= Under EU funded public tenders, minimum turnover and international experience conditions must be lowered to promote the inclusion of SMEs. Inclusion of European SME in tender consortia should be encouraged.
7. Relevant **tenders need to be consistently labelled with "Global Gateway"** in order to attract the interest of companies. Currently, the tender of many Global Gateway projects, including flagships, do not mention Global Gateway at all. It is, therefore, essential to define criteria, that determine which project belongs to Global Gateway and which does not. Then, all institutions issuing tenders need to put the Global Gateway label on the relevant projects.
8. Create a **Task Force to develop new financial instruments** and facilities together with DFIs and ECAs to support more agile financial support for SMEs for the Global Gateway. Adequate funding should be considered for European SMEs adding *value* through additional services around the built infrastructure in partner countries under the Global Gateway (via software, data driven IT services, IoT, etc). Supporting these agile SMEs to form partnerships with local companies will further lead to the organic transfer of competencies to the local workforce. This will promote the new ecosystems' sustainable development.
9. A **mechanism for due diligence audits** should be created on the EU level so that smaller companies also have the opportunity to submit project ideas and become part of Global Gateway. Both the EU and the national side find it difficult to evaluate project ideas where the companies have no t yet any proof of credibility. This leads to discrimination against small companies.

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