



SMEs as part of the Global Gateway Strategy

Discussion Paper – Global Gateway Business Advisory Group Plenary Meeting, 24th April 2024

This discussion paper was presented during the Global Gateway Business Advisory Group's (BAG) second plenary meeting, on 24 April 2024. The BAG supports the European Commission in the implementation of the Global Gateway Strategy, through cooperation with the private sector. It was launched in September 2023 as a forum to discuss and gather feedback on the strategic orientations of the Global Gateway. SMEs are represented in it through different SME organisations and individual company members – whose contributions led to this collective paper.

SMEs can contribute to the Global Gateway as subcontractors, investors, and partners, and by boosting the impact and economic sustainability of large investments on regional scales. They are also best suited to address and contribute to solve Sustainable Development Goals through their “business is local” attitude, avoiding market capture and instead ensuring the sustainable development of local ecosystems. Wider efforts, notably in terms of clear communication, labelling and tailored support, are required to ensure their necessary participation.

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

Pros:

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, integrating global supply chains in key sectors related to the green and digital transitions.
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 the prevailing obstacles in more difficult third-country 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.
7. **Access to information:** Lack of clarity and information in terms of projects and access to funding under the Global Gateway is a major obstacle to the involvement of SMEs. Many SMEs remain unaware or poorly informed on the current flagships and the areas in which they can participate, as well as where and how they can have access to funds.
8. **Competition with Larger Firms:** EU SMEs may face stiff competition from larger companies with greater financial and operational resources. Global Gateway initiatives are generally capital-intensive and as a result favor larger firms, particularly in procurement processes or access to financing. This limits the opportunities available to smaller businesses. At the same time, smaller projects that may be more tailored to SMEs' profiles & added value are less visible, and more difficult to get financial backing for from DFIs.
9. **Unbalanced Risk Exposure:** While international expansion entails inherent risks, lack of legal certainty and poor institutional environment in certain partner countries form an even stronger obstacle for smaller, more risk-averse companies.

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 centralized guidance for private companies on the Global Gateway including clear publicly available 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. **Better identify and 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. In close coordination with national governments, EEAS delegations should also play an active role in the identification of viable projects and potential for SME involvement in partner countries.
3. **Beyond large flagship projects, the Global Gateway should also focus on complementary modalities of engagement.** It should support facilitation of contacts between companies, EU actors and beneficiaries, especially through a 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, to be able to obtain financial support and DFI guarantees.** Further, the “enhanced coordination” approach that seeks to bundle export credits with development financing should have a focus on de-risking SME participation in these smaller projects, through blending and grants to overcome the initial risks involved.

Long term actions:

5. **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 SMEs must further be incentivized, through a mandatory minimal percentage of SMEs in Global Gateway projects. In addition, tendering procedures should be quicker revised, aiming to rely less on lowest-price award criterion, and instead better stress the quality criterion in order to create a truly European added value¹ – in which SMEs can be particularly well poised - and by those means avoid that extra-European companies with lower quality standards end up winning bids. EU-funded tenders should aim to serve the economic and strategic interests of the European Union, not those of other blocks.
6. **To facilitate SME engagement in Global Gateway partner countries, the start-up phase of an investment should not only be supported by loan guarantees but also through grants,** notably by taking inspiration from similar-minded initiatives at Member State level (eg, the German ‘Invest for Jobs’ support program in Africa). **Such funds should support European SMEs adding value to the economic ecosystems around Global Gateway initiatives, through both additional services** around the built infrastructure in partner countries (eg in the domains of technical services, supply chain producers, software, data driven IT services, IoT, health, housing, etc), and through **upskilling/capacity building.** 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, and represent a tangible value addition.
7. **Relevant tenders need to be consistently labelled with “Global Gateway”** in order to attract the interest of companies. Currently, the tendering 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 – and for all institutions issuing tenders to adequately label them.

¹ This idea was recently put forward in Enrico Letta’s [Report on the Single Market](#). In the recent public tender for European supercomputers, the General Court of the EU has further confirmed that “EU added value and security of supply” are legitimate additional criteria.

About the signatories of this paper



The European Entrepreneurs CEA-PME (Confédération Européenne des Associations de Petites et Moyennes Entreprises) is a Brussels-based business confederation representing over 2.4 million SMEs, stemming from 30 associations.



The European DIGITAL SME Alliance (DIGITAL SME) is the largest network of SMEs in the ICT sector in Europe, connecting more than 45 000 digital SMEs. The Alliance is the joint effort of 30 national and regional SME associations from the EU member states and neighbouring countries to put digital SMEs at the centre of the EU agenda.



Liguris is an SME specialised in aiding start-ups and SMEs access funding at European level.



MIM Solutions is an SME specialised in artificial intelligence technology, experienced in implementing it in practical R&D projects. A spin-off of the University of Warsaw, it is now one of the leading AI specialised teams in Poland.



Trade Promotion Europe (TPE) is a non-profit association of national and regional trade and agrifood promotion organisations in Europe. It particularly aims to advance SME exports, and empower them in trade relations.