

## Infrastructure Investments in CEE

Strategic planning and processes regarding infrastructure investments in Central and Eastern Europe (CEE) have been significantly reshaping the traditional investment scene in recent years. European Union (EU) funding procedures, the quality of submitted projects and related opportunities and shortcomings, as well as non-EU investments in the region represent samples of a growing package of increasingly important issues to consider from economic, social, political and security perspectives.

### Barriers to obtaining EU funding

Business representatives perceive the application requirements for EU funding as burdensome, and they wish to simplify them. Some countries, such as Austria, Poland or Hungary are more successful at applying for funds than other countries in the region. It was suggested that these countries are more acquainted with the complex EU funding procedures and know how to tick the right boxes. One potential way forward is a multi-manager investment strategy, a so-called fund of funds, in which a fund invests in other types of funds. By doing so, it can increase the potential of local initiators to be more effective when applying for funds because they have more combined experience available through the multi-manager strategy. Hence, inter alia, they act as a regional hub between local initiatives and the EU, based on their acquired expertise.

Conversely, besides the administrative burden of EU funding procedures, there is also a lack of high-quality projects. There is a need to add value and enhance the quality of investment projects on a wider scale. It would be desirable to increase wider interest in investing in projects in a coordinated manner, taking into consideration potential impacts on other countries within the region.

### Investments from non-EU actors

For a variety of reasons, a surprising number of EU funds are not sufficiently exploited. At the same time, the bilateral investments from non-EU countries into the national infrastructures of EU Member States continue to appear, and there is increasingly a need to think through the potential strategic long-term implications of these bilateral negotiations on the EU region and its interconnected infrastructure. For example, Prague is going to host a 16+1<sup>1</sup> conference in which they will invite China and other stakeholders to discuss the New Silk Road projects. This raises concerns about the role of China in providing loans for CEE infrastructure projects, especially the question of application of Chinese norms, and Chinese labor in the EU for bilaterally agreed infrastructure projects. However, many share scepticism towards Chinese strategic intentions, and authoritarian regimes' place in EU's democratic countries in general. In addition, there seems to be a lack of any overview of the flow of Chinese investments in the EU. Due to a multiplicity of China's bilateral actions with several EU Member States, a comprehensive picture is missing, and China's overarching strategy remains unclear. This makes it difficult for sovereign EU Member States to evaluate seemingly lucrative bilateral trade deals and their potential long-term regional impacts. Some participants also suggested that the typical discussion within the EU about the East-West divide is not helping and may prevent primarily national actors from considering common European threats and counterstrategies in a collective manner.

Furthermore, in CEE countries, there is not necessarily an absence of innovative ideas, but rather a lack of implementation power, acquired EU funds, and sufficient mandate of state companies to engage in international high-quality projects. There is also a lot of room to elaborate further on innovative approaches to enhance more ecological and sustainable approaches in the region as well as increased investment into digital infrastructure.

### Key Recommendations

#### Removing barriers to obtaining EU funding

- **Sharing of best practices:** CEE states should get more acquainted with EU's financial procedures and share best practices horizontally to obtain EU funding, which would lead to increased opportunities and a higher number of successful project proposals.

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<sup>1</sup> <http://ceec-china-latvia.org/page/about/>

- **Enhancing vertical EU-stakeholder assistance:** CEE states should seek simplification of the application procedure at the EU level, as well as more EU assistance throughout the lengthy process (e.g. more initiatives such as the European Investment Bank's (EIB) support for 13 projects in Slovakia).
- **Combining education with tech science:** Enhance building technical and digital, as well as project management skills in preparation for future economic challenges.

#### **Rethinking investments from non-EU actors**

- **Safeguarding European standards and values:** Instead of Chinese investors negotiating and applying their own rules bilaterally with EU countries, it is recommended to look into reforming some internal EU rules in order to provide a more straightforward, well-assisted access to EU funding for EU Member States' projects.
- **Developing a comprehensive overview of investments across the EU:** Contribute to a coordinated, comprehensive overview, ideally at the EU Council level, of non-EU investors' initiatives and investments within the EU. Share and build on best practices and lessons learnt before further agreements with China and other authoritarian regimes are concluded on a bilateral level.