



EUROPEAN CENTRAL BANK

EUROSYSTEM

EU investment fund for economic resilience and sustainable competitiveness

*Panel discussion - EESC
hearing*

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The views expressed here are those of the author and do not necessarily represent the views of the European Central Bank and the Eurosystem

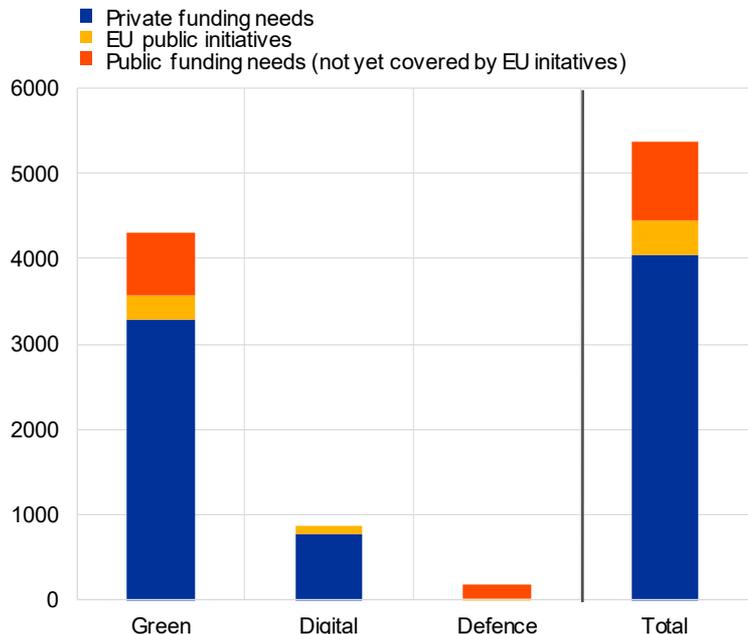
Massive strategic investment needs in Europe

- **Targeted investment** needed to support transformation towards a sustainable, digital and secure economy
- Official estimates of investment needs point to **unprecedented high amounts** historically; surrounded by high degree of **uncertainty**
 - ❖ *Green: € 620 bn / year (additional until 2030)*
 - ❖ *Digital: € 125 bn / year (additional until 2030)*
 - ❖ *Defence: expenditure in line with NATO commitment to reach 2% of GDP*
- Important that investment needs will be **matched** with sufficient funding
- However, **mobilising funding** for these investments **requires policy action**
 - **Barriers and uncertainty** are limiting capital-intensive investments by private sector
 - **Capital markets are fragmented** in Europe
 - **Limited fiscal space** in particular in EU countries with high public debt

Funding challenges for strategic investments

Additional investment needs and their funding

(EUR billions, cumulative for the period 2025-2031)



Source: ECB Blog [Mind the gap: Europe's strategic investment needs and how to support them](#), 27 June 2024

- Funding mostly by **private sector**
- Role of **public sector serving as catalyst** for private funding
- Public sector shares **vary across categories**
- **Public funding gap** if public funds (EU budget, RRF, InvestEU, national sources) fall short of public funding needs
- **Heterogeneous** fiscal positions

Possible initiatives supporting strategic investment

	Private	Public
EU level	<ul style="list-style-type: none">• Advance on CMU & BMU to create scale• Strengthening single market• Enhanced role for blended finance (EIB, EBRD)	<ul style="list-style-type: none">• New fiscal rules are more investment-friendly• Priorities of EU budget towards strategic investment needs• Strengthening common financing basis
National level	<ul style="list-style-type: none">• Better framework conditions for doing business (R&D and patents)• Reducing red tape• Investment-friendly corporate taxation	<ul style="list-style-type: none">• Creating fiscal space through improved quality of public finance• Reprioritising public expenditure towards strategic investment• Increasing absorption capacity of public funds

Source: ECB Blog [Mind the gap: Europe's strategic investment needs and how to support them](#), 27 June 2024.

Some general comments on draft opinion

- Generally, **support proposal for an investment fund at EU level**
- However, stronger **focus on truly strategic investment needs** warranted. Important that EU funding tools do **not crowd-out private investment** and are **incentive-compatible** with private risk taking
- Essential to have **good framework conditions** in place, that make it easier for businesses to operate and innovate. Policy actions range from less red tape to reprioritising public expenditure towards government investment
- For green transition, higher **carbon pricing** to further incentivise investment in energy-efficient technology and innovation