



**Opinion of the European Economic and Social Committee**  
**An EU investment fund for economic resilience and sustainable competitiveness**  
**(own-initiative opinion)**

(C/2024/6862)

Rapporteur: **Dominika BIEGON**

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|----------------------------------------------|---------------------------------------------------------------|
| Advisors                                     | Cedric KOCH, for the rapporteur<br>Nils REDEKER, for Group II |
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**1. Conclusions and recommendations**

1.1. Ensuring and advancing sustainable competitiveness and resilience is one of the major challenges that the EU Single Market will face over the next few years. Above all, climate change has become a matter of urgency and demands a green shift in our economies. While the EU has set ambitious goals with respect to decarbonisation, digitalisation, resilience and sustainable competitiveness, the funding gap remains the Achilles heel of the EU's high ambition to make the Single Market fit for the future.

1.2. The bulk of investments in the green transition will have to come from the private sector. The EU, therefore, needs to improve the framework conditions for private investments in the Single Market. This includes implementing central components of the Capital Markets Union, completing the banking union, integrating the European energy market, speeding up permitting procedures and reducing the regulatory burden while preserving social standards. At the same time, substantial amounts of public funding are needed to trigger private investments in areas where there is not yet a business case for carbon-neutral solutions and in strategic sectors where production would otherwise take place in geoeconomically competing world regions where dependencies could be abused. Additionally, public funds are key for investments in infrastructure (e.g. in grids or hydrogen pipelines) and in other public goods which market actors have no incentive to provide, but which can create the conditions for market actors to flourish and invest further in their respective fields.

1.3. The new EU fiscal rules will not increase the fiscal space for investments enough to plug the investment gap at Member State level. At the same time, EU funding for the green and digital transition will decline significantly after 2026 when the Recovery and Resilience Facility (RRF) expires.

1.4. Therefore, the EESC concurs that in order to ensure effective and growth-friendly implementation of the reformed Stability and Growth Pact, the new legal framework focused on controlling debt and deficit levels must be complemented by a targeted EU-level investment capacity, aimed at increasing the sustainable competitiveness and economic resilience of the EU Single Market.

1.5. The EESC proposes that an EU investment fund be established as part of the next Multiannual Financial Framework (MFF). It should aim to provide financial resources for investment projects that are of strategic European interest. The EESC proposes a set of criteria to guide the prioritisation and selection of investments under the future EU investment capacity.

1.6. The EESC has identified four investment fields that deserve EU-level financing by a future EU investment fund: a) cross-border infrastructure projects b) investments to complete the energy union c) investments to strengthen the competitiveness of European industries d) investments in qualification and training.

1.7. The EU investment fund should be financed by a mix of resources, including Member State contributions, new own resources and joint EU debt issuance.

1.8. The instruments of the EU investment fund include financial support through low-interest loans, guarantees and targeted subsidies for companies, public equity investment, and grants and loans through which Member State governments can finance both targeted domestic support measures and public investment projects. A special focus should be on financing cross-border investment projects.

1.9. The effectiveness and acceptability of financial instruments depends crucially on the strategic use of public funds to achieve common public policy objectives. The disbursement of money from the proposed EU investment fund should therefore be conditional on social criteria. These social criteria must respect the varieties of social dialogue in the Member States and must not lead to undue discrimination against certain types of companies or Member States. Possible social criteria that companies may have to fulfil to be eligible for EU funding or to get an extra reward could include site retention and employment guarantees, qualification and training measures, measures to improve workers' participation or collective agreements. In this way, public funding for the transformation is consistently geared towards creating and maintaining decent jobs, thus increasing acceptance of the green transition.

## 2. Context and background

2.1. Ensuring and advancing sustainable competitiveness and resilience is one of the major challenges that the EU Single Market will face over the next few years. These challenges must be seen against the backdrop of climate change which has become a matter of urgency, demanding a green shift in our economies. With the European Green Deal and the Fit for 55 programme, the EU has rightly set ambitious climate goals which pose enormous challenges for European economies. While the direction and targets are clear, the European Green Deal still has a financing problem. Similarly, the digital transition of the Single Market has rightly been pursued as a key priority through the EU's Digital Strategy, the Digital Decade and the Digital Single Market Strategy. Here too, however, there is a financing problem. In both areas of transformation, new competitive pressures have risen due to large-scale industrial policy implemented by key economic competitors. Finally, geoeconomic weak points have emerged in recent years which threaten the resilience of the Single Market. In response, the EU has rightly set targets for strategic, future-oriented supply chains, to be based partly within the EU itself. These include the targets laid down in the EU Chips Act, the Critical Raw Materials Act, the Net Zero Industry Act and the Strategic Technologies for Europe Platform (STEP). However, an effective answer to these geoeconomic pressures and risks to sustainable competitiveness and resilience is hindered by financing problems.

2.2. In order to achieve the EU climate targets and deliver the digital transformation, the capital stock needs to be overhauled. This entails a massive expansion in investments. For Europe to meet its 2030 climate targets and decarbonise its electricity sector, the European Commission estimated the overall investment needs to be around 4 % of GDP annually until 2030 <sup>(1)</sup>. Recently, the Rousseau Institute estimated the investment gap for the EU to achieve net zero to be around 2,3 % of GDP annually until 2050, including a gap of almost 4 % of GDP until 2030. However, all of these studies only quantify the investments required to decarbonise European economies. Additional investment requirements arise if other important political goals and challenges are also taken into account, such as the digital transformation, increasing economic resilience by anchoring production in the EU, social investments in skills and education and the need to invest in defence capacities, as well as the separate challenges of environmental protection to fight the biodiversity crisis and the increasingly necessary investments in climate adaptation. Overall, funding needs are bound to grow dramatically in the coming years. In this context, this opinion focuses on the financing needs linked to the transition to a sustainably competitive and resilient Single Market and develops policy recommendations to close the investment gap related to this policy challenge in the EU.

<sup>(1)</sup> European Commission (2023): *Strategic Foresight Report 23 – 'Sustainability and wellbeing at the heart of Europe's Open Strategic Autonomy'*.

2.3. The bulk of investments for the green transition will have to come from the private sector. The EU, therefore, needs to improve the framework conditions for private investments in the Single Market. In order to do so, it should prioritise establishing a Capital Market Union (CMU) to develop the market for risk capital, equities and bonds, facilitate cross-border investments, provide better financing conditions for start-ups and scale-ups, and make the EU more attractive to foreign investments. This includes reducing legal fragmentation by pushing for coordination of national tax, insolvency and contract law, working towards more centralised supervision of capital markets and exploring the possibilities for European savings products. Improving private financing conditions will also entail strengthening the European banking system by completing the banking union and establishing a European deposit insurance scheme. To stimulate private investments in strategic sectors and spur on productivity growth, the EU also needs to make progress on integrating the European energy market and remove any remaining barriers to cross-border activity within the Single Market, especially those that stand in the way of the spread of digital services and innovation. Finally, private investment should be encouraged by speeding up permitting procedures and reducing regulatory and reporting requirements, especially for small and medium-sized companies where such requirements do not have a clear social, environmental or climate benefit.

2.4. These measures would go a long way towards spurring on necessary private investments. However, on their own they will not suffice to plug the funding gap. Substantial amounts of public funding are needed to trigger private investments in areas where there is not yet a business case for carbon-neutral solutions and in strategic sectors where production would otherwise take place in geoeconomically competing world regions where dependencies could be abused. Additionally, public funds are key for investments in infrastructure (e.g. in grids or hydrogen pipelines) and in other public goods which market actors have no incentive to provide but which can create the conditions for market actors to flourish and invest in their respective fields. While the main vehicle for financing the EU transition should be private-sector investments, most studies estimate that at least a 25-60 % share of public financing is needed, depending on the sector, to unlock sufficient private funding.

2.5. One central pillar needed to close the financing gap is the Member States. Here, however, the new EU fiscal rules emphasise control of debts and deficits, rather than incentivising investment. The result is an improvement over the old system, but it is also clear that the new rules will not increase the fiscal space for investments sufficiently to plug the investment gap at Member State level. On the contrary, initial estimates by the European Commission show that fiscal consolidation pressures will significantly increase in all Member States in the coming years <sup>(2)</sup>. The risk is that the gains of achieving a more credible and effective set of fiscal rules to ensure fiscal sustainability could be undermined if Member States find themselves unable to finance the investments needed for the transition. This would lead to less ownership and compliance with the new rules or to a delayed and therefore ever more costly transition.

2.6. Member States will continue to benefit from the (growing) revenues of the emissions trading scheme (ETS), which are estimated by the European Commission to generate around EUR 220 billion by 2030, with an additional EUR 113 billion coming from the expansion of the scheme to new sectors from 2027 onwards <sup>(3)</sup>. While significant, these revenues only amount to around 0,2 % of EU GDP per year, far from enough to plug the above-mentioned additional investment needs. They are also partly already planned to finance the European Social Fund which aims to mitigate the negative social side effects of carbon pricing and the Commission proposed that 30 % of the ETS revenues should flow into the next EU budget as an own resource.

2.7. Another pillar for closing the financing gap is EU funding schemes. The EU has already established a variety of funding schemes to help finance the green transition. There is a legal requirement that at least 30 % of the MFF be allocated to climate action. In addition to this, the RRF was established in 2022 and has become the largest EU fund to support the Green Deal. Almost half of EU funds intended for climate investments come from the RRF. However, the RRF will expire by the end of 2026. What is more, repayment of EU bonds for NGEU will start in 2028. This will significantly increase the pressure on the EU budget and further increase the funding gap for the Green Deal.

2.8. Therefore, the EESC concurs that in order to ensure effective and growth-friendly implementation of the reformed Stability and Growth Pact, the new legal framework focused on controlling debt and deficit levels must be complemented by a targeted EU-level investment capacity. This capacity must have focus on delivering the financing push needed to orient the Single Market towards more sustainable competitiveness and resilience. The EESC agrees with many other institutions such as the ECB <sup>(4)</sup> and the IMF <sup>(5)</sup> that an EU investment capacity is needed for the post-2027 period at the latest. This own-initiative opinion reiterates previous EESC calls for an EU investment capacity <sup>(6)</sup> and develops specific options for the post-2027 period.

<sup>(2)</sup> COM(2024) 600 final.

<sup>(3)</sup> COM(2024) 163 final.

<sup>(4)</sup> ECB (2023): *The legal and institutional feasibility of an EU Climate and Energy Security Fund*.

<sup>(5)</sup> IMF (2023): *Euro Area Policies: 2023 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Euro Area*; IMF Country Report No. 23/264.

<sup>(6)</sup> Opinion of the European Economic and Social Committee – Boosting long-term inclusive growth through reforms and investment (OJ C, C/2024/3378, 31.5.2024, ELI: <http://data.europa.eu/eli/C/2024/3378/oj>).

2.9. There are at least three reasons why we need an EU-level investment capacity. First, EU investment capacity to finance the green and digital transitions will contribute to economic resilience, help achieve the EU's climate goals and leverage the necessary scale of the Single Market to safeguard its competitiveness in the global arena. Second, EU investment capacity is necessary to ensure the unity of the internal market and avoid distortions of competition within the EU <sup>(7)</sup>. Third, the green and digital transformations are causing widespread uncertainty among the population are spawning increasing resistance from affected sectors and households. Public policy instruments are needed to manage necessary transitions in the labour market, create new opportunities for growth and income and compensate those hit hardest by the transformation <sup>(8)</sup>. Otherwise, there is a risk that the economic shifts will continue to fuel distributional conflicts, ultimately strengthening antidemocratic and populist forces <sup>(9)</sup>.

### 3. Main pillars of a future EU investment capacity

3.1. The investment capacity should be operational when the RRF expires at the end of 2026 and should be integrated into the next MFF 2028-2034. Ideally, it should be set up to run until 2050, linked directly to the agreed EU goal of achieving net zero emissions until then.

3.2. The EESC proposes that an EU investment fund be established in order to achieve the European strategic goals in the field of the green transition. Clear criteria have to be defined to guide the prioritisation and selection of investments under the future EU investment capacity. Strategic European projects should <sup>(10)</sup>:

- (a) advance the EU's long-term objectives and priorities in the field of the green transition, including its social dimension <sup>(11)</sup>;
- (b) increase the growth potential of European economies in the medium term and strengthen their resilience to external shocks in the long term;
- (c) provide clear European added value, such as significant cross-border benefits, economies of scale, or address critical gaps in European public goods;
- (d) complement and support other European, national or regional investments in order to enhance the overall coherence and impact of EU strategic investment efforts.

3.3. Specifically, the proposed fund should provide EU-level financial support to incentivise both private and public investments in the following fields:

- (a) Infrastructure: investments in the expansion and maintenance of a functioning cross-border infrastructure (in particular cross-border express train services) play a central role in socio-ecological transformation <sup>(12)</sup>.
- (b) Energy Union: particular focus is needed on investments to complete the Energy Union. Massive investments are needed to expand electricity transmission and distribution grids. In addition, the expansion of renewable energies, the expansion of energy storage, the construction of a pipeline network for hydrogen or the conversion of existing gas pipeline networks are important projects with European added value that justify EU-level financing.

<sup>(7)</sup> Jäger, Jansen, Redeker (2023): *For climate, profits, or resilience? Why, where and how the EU should respond to the Inflation Reduction Act*.

<sup>(8)</sup> Abou-Chadi, Jansen, Kollberg, Redeker (2024): *Debunking the Backlash - Uncovering European Voters' Climate Preferences*.

<sup>(9)</sup> Bergmann, Diermeier, Kempermann (2023): *AfD in von Transformation betroffenen Industrieregionen am stärksten*, and Gold, Lehr (2024): *Paying Off Populism: How Regional Policies Affect Voting Behavior*.

<sup>(10)</sup> A similar conceptual framework for an EU investment capacity is proposed by Demertzis/Pinkus/Ruer (2024) *Accelerating strategic investment in the European Union beyond 2026*, Bakker, Beetsma, Buti (2024): *Investing in European Public Goods While Maintaining Fiscal Discipline at Home*, Claeys and Steinbach (2024): *A conceptual framework for the identification and governance of European public goods*; Koch et al. (2024), *An EU Future Fund: Why and How? Background Paper of the Progressive EU Fiscal Policy Network* (fes.de).

<sup>(11)</sup> Recent European initiatives that clearly define priorities in this field are the *Green Deal Industrial Plan*, the *Net Zero Industry Act*, the *Strategic Technologies for Europe Platform* and the *European Pillar of Social Rights Action Plan*. The EU investment fund should provide the financial resources to implement the long-term objectives defined in these initiatives.

<sup>(12)</sup> Creel et al. (2020), *How to Spend it: A Proposal for a European Covid-19 Recovery Programme*.

- (c) Industrial policy: the fund should have a strong industrial policy component. The EU needs to play an active role to maintain prosperity in Europe and at the same time make the EU economy fit for the future <sup>(13)</sup>. To that end, future technologies essential for climate neutrality must be actively promoted. EU funding should focus on sectors in which the EU can become internationally competitive after a temporary support phase, such as battery cell production or the market for clean hydrogen <sup>(14)</sup>. However, focusing solely on selected clean tech industries is not enough. European industrial policy should also actively support future drivers of growth in high-tech areas. The proposed EU fund could contribute to better coordination of state aid measures and would be a first step towards an integrated European industrial strategy. The allocation of public support should be competitive and use market-driven instruments such as auctions, tenders and measures akin to tax credits. Support needs to be targeted and temporary, progress must be monitored transparently, and schemes must come with clear criteria for ending unsuccessful projects.
- (d) Social investments: Socially acceptable restructuring of our economy will only succeed if the population in the Member States is properly prepared for new skills. Action is therefore imperative in the area of further training and (re-)skilling of employees. These types of social investments can help remove obstacles to private investments, as the lack of skilled staff is still one of the main investment obstacles for companies in the EU <sup>(15)</sup>. Social investments of this type can increase the productivity of the potential workforce in the medium to long term and therefore promote economic growth <sup>(16)</sup>. Expansion of social investments in these fields can also help achieve the goals of the European Pillar of Social Rights and its action plan.

3.4. The instruments for an EU investment capacity should be able to promote both private investments and public investments. In principle, the proposed EU investment capacity should have a high degree of flexibility on the disbursement side and comprise a range of instruments. These should include financial support through low-interest loans, guarantees and targeted subsidies for companies, public equity investment, and grants and loans through which Member State governments can finance targeted domestic support measures and public investment projects. The EESC also recommends streamlining the rules governing the implementation of the fund's various financial instruments. A close cooperation with the European Investment Bank and national promotional banks is needed. If the EU climate targets are to be achieved, private and public investment must interact as productively and efficiently as possible to jointly plug the existing gaps.

3.5. A future EU investment fund should include programmes that are directly administered at EU level, in particular in areas that are of cross-border relevance. Companies should be able to apply directly for EU funding and implement projects according to guidelines and criteria defined and controlled at EU level. Measures need to be implemented so that companies in all Member States profit from such a funding scheme, also offering specific programmes for SMEs. Funding schemes directly administered at EU level can reduce the administrative burden on regional and national administrations and increase the absorption capacity for EU funding. For infrastructure investments, the current Projects of Common Interest (PCI) and the Connecting Europe Facility can serve as a blueprint for linking projects with direct EU-level funding and should be expanded. Similarly, the EU already has instruments to support private companies directly through the Innovation Fund. In addition to this, Important Projects of Common European Interest (IPCEIs) can be co-financed by means of EU-level instruments. By combining more EU funding with national support schemes, a revamped investment capacity could reduce the risk of unfair competition, ensure scale and put European interests in the driver's seat of EU industrial policy. This should include high-visibility, EU-wide projects of common interest benefitting all people and countries alike, such as an efficient European high-speed rail network to help decarbonise travel within the EU and further integrate the Single Market.

3.6. In addition, innovative ways of disbursing EU funds through other channels should be explored, building on experience from the US Inflation Reduction Act. The IRA focuses on issuing tax credits to companies according to politically defined criteria. This has the advantage of making disbursement faster and less dependent on government and administrative absorption capacity, as market participants make investment decisions directly and are subsequently compensated by the state. The EESC suggests considering whether similar tax refund arrangements could be implemented within the EU system, so that market actors can make efficient use of the tax incentives available across the Single Market when making investment decisions.

<sup>(13)</sup> Antwerp declaration (2024).

<sup>(14)</sup> Jansen, Jäger, Redeker (2023): *For climate, profits, or resilience? Why, where and how the EU should respond to the Inflation Reduction Act*.

<sup>(15)</sup> EIB (2024), *Investment report*, p. 127.

<sup>(16)</sup> Corti et al. (2022): *A Qualified Treatment for Green and Social Investments within a Revised EU Fiscal Framework*.

3.7. On the financing side, the EESC considers that a new EU investment fund should rely on a mix of financing tools able to work with the private sector and Member States to plug existing investment gaps.

- (a) A significantly increased GNI contribution by Member States should be one component of this financing strategy for a new EU investment fund. Since demands on the EU are increasing strongly in areas such as defence, industry, external economic relations and climate, Member States need to ensure that there is a corresponding increase in the financing of the EU's institutions.
- (b) In addition, new genuine own resources for the EU are crucial. This will repay the interest and principal from 2028 of NGEU debts incurred by the pandemic recovery fund and finance additional investments needed to plug the investment gaps in the transition by means of EU bonds. The EESC calls on the Member States to adopt and implement the Commission's proposed package of new own resources, and to identify additional candidates which can put the next MFF on a solid footing <sup>(17)</sup>.
- (c) Joint EU debt issuance was pioneered successfully as an innovative instrument during the pandemic and could be repeated so as to finance the sustainable competitiveness and resilience of the Single Market <sup>(18)</sup>. New studies indicate that financing EU investments for the Green Deal by having the Commission issue EU bonds makes sense from a macroeconomic perspective <sup>(19)</sup> and is legally viable <sup>(20)</sup>.

3.8. These different sources should be combined productively so as to maximise their impact in terms of effectively raising private and public investment levels. Genuine EU own resources and Member State contributions alike can serve as guarantees for the EIB to leverage finance with a view to increasing private investment. They can also serve as guarantees enabling the European Commission to issue bonds at sufficient scale to plug the remaining financing gaps of the new investment fund and to pay out grants to Member States for public investments.

<sup>(17)</sup> Opinion of the European Economic and Social Committee on the second set of new own resources (OJ C 293, 18.8.2023, p. 13) and Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: An adjusted package for the next generation of own resources (COM(2023) 330 final) and the amended proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union (COM(2023) 331 final/2 — 2021/0430 (CNS)) (OJ C, C/2024/884, 6.2.2024, ELI: <http://data.europa.eu/eli/C/2024/884/oj>).

<sup>(18)</sup> Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions — Europe's moment: Repair and Prepare for the Next Generation' (COM(2020) 456 final) — 'Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. The EU budget powering the recovery plan for Europe' (COM(2020) 442 final) — 'Proposal for a Council Regulation establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 pandemic' (COM(2020) 441 final/2 — 2020/0111 (NLE)) — 'Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2021 to 2027' (COM(2020) 443 final — 2018/0166 (APP)) — 'Amended proposal for a Council Decision on the system of Own Resources of the European Union' (COM(2020) 445 final — 2018/0135 (CNS)) — 'Proposal for a Council Regulation amending Council Regulation (EU, EURATOM) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020' (COM(2020) 446 final — 2020/0109 (APP)) — 'Amended proposal for a Regulation of the European Parliament and of the Council establishing Horizon Europe — the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, Decision of the European Parliament and of the Council on establishing the specific programme implementing Horizon Europe — the Framework Programme for Research and Innovation, Regulation of the European Parliament and of the Council establishing the Neighbourhood, Development and International Cooperation Instrument, Regulation of the European Parliament and of the Council establishing rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Regulation (EU) No 1307/2013 of the European Parliament and of the Council' (COM(2020) 459 final — 2018/0224 COD) (OJ C 364, 28.10.2020, p. 124) and Opinion of the European Economic and Social Committee on the proposal for a Regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (COM(2023) 240 final — 2023/0138 (COD)), the proposal for a Council Regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (COM(2023) 241 final — 2023/0137 (CNS)) and the proposal for a Council Directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (COM(2023) 242 final — 2023/0136 (NLE)) (OJ C, C/2023/880, 8.12.2023, ELI: <http://data.europa.eu/eli/C/2023/880/oj>).

<sup>(19)</sup> COM(2024) 82 final; see also IMF report (2023), p. 44, and IMK (2020): The Macroeconomic Effects of the EU Recovery and Resilience Facility.

<sup>(20)</sup> Grund, Steinbach (2023): *European Union debt financing: leeway and barriers from a legal perspective*.

3.9. Based on recent studies, a new EU investment capacity for sustainable competitiveness and economic resilience should amount to at least 0,5 % of EU GDP per year. This conservative estimate is due to a total investment gap of at least 5 % of GDP per year for the sectors mentioned above and a 25 % public investment share, yielding a public investment gap of at least 1,25 % of GDP per year <sup>(21)</sup>. The EESC considers that the EU level should contribute a significant share of the funds needed to plug public investment gaps. This will ensure that pan-European investments in the transformation of and support for Member States is proportionate to the scale of the Single Market. National governments would be expected to bear the remaining burden in terms of public investments.

3.10. Currently, the EU primarily supports the Member States when they finance climate investments by means of parts of the Structural Funds and the RRF. As far as the governance of these funds is concerned, the new investment capacity should build on the successes of these funds while also addressing their main weaknesses. Specifically, the EESC recommends the following:

- (a) The EESC points out that a new EU investment capacity should be located within the overall MFF to ensure democratic accountability and control. It should follow the example of the Structural Funds, rather than being a separate external financing vehicle like the RRF. The European Parliament played a key role in designing the Facility's priorities but its involvement in the subsequent implementation, monitoring and control of funds is minimal compared to the Council. The European Parliament's primary role is limited to gathering information and increasing transparency through 'recovery and resilience dialogues' as well as through the discharge procedure of the previous year's EU budget.
- (b) As far as stakeholder engagement is concerned, the EESC points out that the partnership principle, as established in the EU Structural Funds, continues to be crucial. This principle ensures that regional and local authorities, civil society, social partners and, where appropriate, research organisations and universities are properly involved. Their input has helped to design programmes geared to local and regional circumstances and is acknowledged to be an enabler of place-based sustainable transitions, being especially important in the phase of needs analysis and priority development <sup>(22)</sup>. For a new EU investment fund, this principle should be applied at EU level, ensuring consultation and participation in designing priority sectors, projects and in the implementation phase. Following the example of other programmes, there should be an obligation to establish a monitoring committee (or similar bodies) or involve those already established in other areas. The 2014 EU Code of Conduct on Partnership, which provides the basis for the operation of monitoring committees, should be revised to ensure effective implementation of the partnership principle in all Member States <sup>(23)</sup>.
- (c) The EESC considers that performance-based budgeting should continue to be implemented in future EU investment policy <sup>(24)</sup>. However, the performance indicators should primarily be related to the facility's general and specific objectives. If the disbursement of EU funds is linked to more specific structural reforms, the reform priorities have to be decided through democratic procedures that include parliaments and organised civil society <sup>(25)</sup>.
- (d) The EESC agrees that disbursement of EU funds through a new investment capacity must be conditional. Firstly, all funding must be conditional on compliance with the fundamental principles of the rule of law. Payments under the new instruments should, therefore, fall under the Budgetary Conditionality Regulation and the Commission should have the power to withhold approval of EU funds if rule of law standards are not met. Secondly, EU funding should be conditional on sound public finances at Member State level, as specified and agreed in the new EU fiscal rules. This way the EU economic governance system could be improved and the aim of fostering sound economic finances could be reconciled with the aim of securing enough funding for investments of strategic European interest.

<sup>(21)</sup> See the calculations and data sources: <https://library.fes.de/pdf-files/international/21274.pdf>.

<sup>(22)</sup> European Commission (2024): *Case study on the functioning of the RRF and other EU funds*.

<sup>(23)</sup> EESC evaluation report *Mid-term evaluation of the Recovery and Resilience Facility*.

<sup>(24)</sup> Opinion of the European Economic and Social Committee – Reform and investment proposals and their implementation in the Member States – what is the opinion of organised civil society? (2023-2024 European Semester cycle) (own-initiative opinion) (OJ C, C/2024/4054, 12.7.2024, ELI: <http://data.europa.eu/eli/C/2024/4054/oj>).

<sup>(25)</sup> For tangible reform proposals on democratising EU economic governance without changing EU Treaties, see Dawson (2023): *How To Democratiser Europe's Fiscal Rules*.

- (e) The EESC also points out that EU investment policy works better on the ground if EU funds provide for their own administrative capacity and technical assistance, including in Member State administrations. Technical assistance is also needed for civil society, to enable it to participate effectively in monitoring the bodies which steer and control the disbursement of EU funds at national and EU level <sup>(26)</sup>. A coordinated EU approach to addressing capacity gaps is essential for cohesion and to avoid the fragmentation of the Single Market.

3.11. In order to ensure the highest standards of governance and build public trust, the investment capacity should also establish robust transparency and accountability mechanisms. These should include:

- (a) An independent oversight board with representatives from the EU institutions, Member States and civil society organisations (including social partners) to monitor the fund's use and impact;
- (b) Regular public and open reporting on funded projects, their progress and outcomes;
- (c) Clear criteria and guidelines for project selection and fund disbursement;
- (d) Accessible complaint and appeal mechanisms for stakeholders;
- (e) Mandatory ex post evaluations by the European Court of Auditors.

By building in these safeguards, the EU can demonstrate its commitment to the responsible and impactful use of public funds.

3.12. The disbursement of money from the proposed EU investment fund should be conditional on social criteria. These social criteria must respect the varieties of social dialogue in the Member States and must not lead to undue discrimination against certain types of companies or Member States. Possible social criteria that companies may have to fulfil to be eligible for EU funding or to get an extra reward could include site retention and employment guarantees, qualification and training measures, measures to improve workers' participation or collective agreements. In this way, public funding for the transformation is consistently geared towards creating and maintaining decent jobs, thus increasing acceptance of the green transition. In this context, the EESC agrees with the Letta report <sup>(27)</sup>, which argues that the effectiveness and acceptability of state aid instruments rely on using public funds strategically in order to achieve common policy objectives.

3.13. The EU investment fund outlined here should usefully supplement important other budget items in particular the Structural Funds and should by no means replace or compromise the latter. While there are potential overlaps between the structural funds and the investment fund outlined here, the division of tasks is conceptually clear: The structural funds play a vitally important role to reinforce social, economic and territorial cohesion, the outlined EU fund for sustainable competitiveness and resilience primarily aims at financing investment projects that are in the strategic European interest and belong to the four outlined sectors outlined above.

Brussels, 18 September 2024.

*The President*  
*of the European Economic and Social Committee*  
Oliver RÖPKE

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<sup>(26)</sup> European Commission (2024): *Case study on the functioning of the RRF and other EU funds*.

<sup>(27)</sup> Letta (2024): *Much More Than a Market*, p. 39.