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NOTE

From: Presidency
To: Permanent Representatives Committee/Council
Subject: The European Fund for Strategic Investments (EFSI) to stimulate
European research and innovation
- Exchange of views

Delegations will find attached a Presidency paper on "The European Fund for Strategic Investments (EFSI) to stimulate European research and innovation" with a view to the exchange of views at the Competitiveness Council on 1st December 2015.

**THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS (EFSI) TO STIMULATE
EUROPEAN RESEARCH AND INNOVATION**

The global economic crisis led to a substantial drop in investment across Europe. Collective and coordinated efforts are therefore needed to bridge the investment gap and to put Europe's economic recovery and growth back on track. Adequate levels of resources are available and need to be mobilized across the EU in support of investment.

In its communication of November 2014, "An Investment Plan for Europe", the European Commission announced the establishment of a new European Fund for Strategic Investments (EFSI) in response to the EU's post-crisis economy. In December 2014, the European Council endorsed the plan and invited EU legislators to agree, by June 2015, on a legislative proposal to pave the way for new investments from mid-2015.

The strategy outlined by the European Commission is based on three pillars: structural reforms to put Europe on a new growth path, fiscal responsibility to restore the soundness of public finances and cement financial stability, and investment to kick-start and sustain growth over time.

EFSI intends to stimulate and support job creation, long-term growth, and competitiveness. It will support projects in a broad range of areas, including research and innovation, transport, energy, education, health, broadband infrastructure and risk finance for SMEs.

EFSI represents an important opportunity to deliver not just short term growth but also long term value and sustainable growth. The role of the Fund is to mobilize extra private finance and attract long term investors. But "growth at any cost" is unacceptable given the economic, environmental and societal challenges Europe currently faces. There is a clear need for focusing on projects with long-term, high socio-economic value and no sector nor should regional-specific allocation apply. The Fund should overcome market failures in projects and focus on the aggregate total private sector capital leveraged across the pipeline. Moreover, assessments of economic and technical viability are needed to ensure that the projects are viable not only at the outset but throughout their economic life.

The EU must prioritize investment in research and innovation as it is to safeguard its sources of future growth. Macro-economic studies have indeed clearly shown the positive impact of research and innovation on productivity growth and growth in general. It is therefore of utmost importance that EFSI supports further development of the European Research Area (ERA) by clearly targeting undertakings with the highest potential impact.

QUESTIONS:

- 1) What could be the role of the Council and the European Parliament in order to ensure that EFSI supports research, development and innovation (RDI) investments and addresses important RDI financing issues?
- 2) Do you see other RDI-related issues that will deserve specific attention in order to obtain an optimal use of EFSI support to research and innovation?
- 3) Can debt and equity investments replace grants in supporting RDI or are they complementary? Should they be used for specific target groups? How can we determine the appropriate balance between them?
