EPP CONGRESS VALENCIA 2025

Ordinary Resolution Nr. 2

“Financing Public Investment in the EU: The need for a more coordinated approach” - tabled by the European Union of Christian Democratic Workers (EUCDW)

Adopted by the EPP Congress of 30 April 2025 in Valencia, Spain

The EU finds itself at a crossroads. The certainties of the recent past seem to disappear at a fast speed: the geopolitical order and international rules installed after WW II - a world where the advantages of free trade were recognised very broadly - culminating in the establishment of the WTO, peace in Europe guaranteed by a strong NATO. The Covid and energy crises showed that the EU must diminish its dependency on countries or economic blocs considered as global competitors. To tackle these challenges, the EU must integrate more deeply, both economically and politically, to better align various policies[1] and enhance its impact on the global scene by transforming its economic weight into political influence.

Succeeding in the triple transition (climate, digital and demographic) is a precondition for enhancing our autonomy. This requires significant investments efforts, some of which must come from the public sector. The EU and its Member States must provide the finance necessary to meet these public investment needs.

The Draghi Report sets out the main objectives of a new industrial strategy for Europe: closing the innovation gap, drafting a plan for decarbonisation and improving competitiveness to reduce energy prices and use foreign economic policy to enlarge security and reduce dependency at the same time. Among the building blocks for a new industrial strategy is finance. The report estimates that 5% of GDP is needed for financing the necessary investments, 80% of which must be financed by private capital and 20% by public funding, representing 1% of EU GDP or €170billion per year.

Member States should promote investment spending that produces a positive rate of return, while public investment will also play a catalysing role. This is the case for major infrastructure projects (e.g., electric connectivity, high-speed-railways), for boosting innovation in future technologies (e.g., AI infrastructure), for stimulating the energy transition by supporting companies to become carbon-neutral and preserve our critical energy-intensive industry during the transition period, and for reshoring critical industries such as pharmaceuticals, mining and processing of critical raw materials. Public money is also needed for investment in research, innovation and education. Not only to enhance the quality of the former, but also to make sure that the investments are in line with the bigger principles of Europe and its existence. Given that the majority of investment will come from the private sector, completing the Capital Markets Union and Banking Union, as well as redirecting expenditure to the most efficient level, remain key priorities.

[1] *e.g. industrial, trade and competition policy*

The new fiscal rules offer greater flexibility and incentives for investments and national reforms needed to tackle the EU's economic, social, and geopolitical challenges. They extend the adjustment period to seven years and exempt all national co-financing in EU-funded programs from the expenditure rule.

We acknowledge efficiency gains that may stem from the provision of European public goods at EU scale through more effective coordination of investment priorities among Member States. The Recovery and Resilience Fund ends in 2026 and repayment of the NextGenEU bonds will start in 2028. Taking into account the lessons learned from the Recovery and Resilience Facility and after a careful analysis of its economic impact, the EU's next Multiannual Financial Framework (MFF) from 2028 onwards must adequately address the historical challenges facing Europe and our aspiration for an EU that is capable of geopolitical action, and not initially focus on the status quo. These challenges are, in particular, strengthening European security and defence capabilities as well as increasing the EU's competitiveness. We are committed to modernising the MFF. It must be simpler, more transparent and more flexible – also in order to be able to react comprehensively and quickly to unforeseen events and investment needs using the available financial instruments within the framework of the EU treaties. Accordingly, existing EU-level investment instruments and tools should be further developed in a smart and targeted way. The next MFF must also help to preserve the level playing field of the Single Market.

Close cooperation with the EIB and national financial institutions is desirable to enhance leverage and involve their expertise. The use of financial instruments should be streamlined and spent based on European public goods, taking into account experiences with NextGenEU and the EU Recovery and Resilience Facility. Investment instruments and tools should match increased funding necessities.

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