**Background memo, Interparliamentary Conference on Stability, Economic Coordination and Governance in the EU (SCEG), 17 February 2016, session III**

**Future scenarios for investments in a competitive EU: opportunities and challenges**

*General introduction*

In this session, we will discuss in an interactive way the contribution that various types of investment could make to enhanced economic growth, convergence, employment and competitiveness. Subsequently, we will examine what obstacles to these investments may occur and how these may be overcome.

*Background*

In November 2014, the Commission has launched its plans for a European Fund for Strategic Investments (EFSI). This plan is designed to address the investment gap that has occurred during the financial crisis. On 14 January 2016, the European Investment Bank (EIB) has presented the first results of how it runs EFSI. The EIB estimates that by the end of 2015, EFSI triggered around €50 billion of investment in Europe. With regard to improving the investment environment, the importance of the following aspects is stressed: improved and more predictable regulation; maximising the benefits of the Single Market (by completing the Capital Markets Union, Single Market Strategy, Digital Single Market and the Energy Union); Structural reforms in the Member States; and finally openness to international trade and investment.

The core of the rationale behind the launch of EFSI is to help Member States address specific challenges related to a significant lack in investment in a coordinated European manner. .As the Netherlands Bureau for Economic Policy Analysis has pointed out in its report on Investment in the OECD, pre- and post-crisis developments of May 2015, investment patterns have shown a wide variety in the EU. While the investment volume in the Eurozone fell by 15.6% during the global financial crisis , this was 40 to 50 percent for the Southern Member States. Yet, in some countries, such as Poland, investment actually rose in the same period. Governments may deploy several strategies to address an investment gap: improve market conditions, provide financial support, or increase public investment. According to the report, governments should only step in when the market failure is persistent and markets are unable to resolve these issues themselves, social benefits of intervention exceed social costs; and policy instruments should be effective. Moreover, it is argued that investment in Research and Development and Human Capital is of particular relevance as this results in labour productivity growth, which in turn provides a substantial contribution to sustainable economic growth.

In June 2015, the OECD has published its updated Policy Framework for Investment (PFI). Its objective is to address the 'long-term investment challenge' and to mobilise private investment that supports steady economic growth and sustainable development. Investing in robust and inclusive growth is also one of the main themes of the OECD Yearbook 2015. It is argued that investments should focus on education and basic research, and promote knowledge-based capital.

On 26 November 2015, the European Commission published its Annual Growth Survey. At the same time, it published a staff document on national investment challenges that provides for each Member State an investment profile that the Commission aims to refine and complement in the future in dialogue with the Member States. The challenges are ordered by the following categories: public administration / business environment; labour market / education; financial sector / taxation; research, development and innovation; and sector specific regulation.

During the Ecofin meeting of 15 January 2016 conclusions have been adopted, amongst others, on relaunching investment. The Council acknowledges that despite overall favorable conditions of low interest rates, ample liquidity in financial markets and progress in the deleveraging process, investment levels remain low. It stresses the urgent need to boost investment by improving the overall investment climate to support the economic recovery, and to increase productivity and growth potential. The question that remains is what would be the best way to do so and how this can be best targeted to country specific conditions.

*Contributions*
Ms. Laura van Geest, Director of the Netherlands Bureau for Economic Policy Analysis will give an introduction on the development of investment in OECD countries, and present a conceptual framework to think about the balance between public and private and national and supranational investments. She will also address the issue of possible tension between fiscal rules and public investment.

Ms. Mari Kiviniemi, Vice President of the OECD, will give a first reaction on the presentation and reflect on the role international coordination could, and should, play in optimal investments strategies.

After this introduction, the floor will be open for representatives of national parliaments and the European Parliaments to share their ideas and opinion.

*Points for discussion*
- What types of investment promoting activities of authorities are viable and desirable?
- How can national, EU and international initiatives to stimulate investment best complement each other?
- What possible ways do, or should, exists to facilitate coordination of the various initiatives?
- Are national stakeholders sufficiently aware of the role for potential investment support by EFSI?