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From: General Secretariat of the Council

To: Delegations

Subject:

European Research Area and Innovation Committee (ERAC) plenary meeting, 12-13 June 2025, Gdansk

Current and future R&D investments – Mobilising and complementing of EU initiatives, national commitments and private sector investments

Delegations will find in annex a discussion note in view of the strategic debate on the item “Current and future R&D investments – Mobilising and complementing of EU initiatives, national commitments and private sector investments” at the plenary of the European Research Area and Innovation Committee (ERAC) on 12-13 June 2025 in Gdansk.

Current and future R&D investments – Mobilising and complementing of EU initiatives, national commitments and private sector investments

Strategic debate with panel

Discussion note

Context

With the presentation of the new Multiannual Financial Framework just around the corner, a strategic discussion on current and future R&D investments is very timely and builds directly on the last ERAC plenary debate on “**Closing the Innovation Gap and Creating a Fifth Freedom**”, a topic that is reflected in the first priority theme of the revised ERAC Work Programme 2025-2026, “Investment Goals and Strategic Planning”.

The reports by Draghi, Letta and Heitor, as well as the Competitiveness Compass which represents the Commission’s answer to boost Europe’s competitiveness, have clearly identified Europe’s innovation gap as a key challenge holding back its competitiveness and its ability to provide effective responses to emerging societal challenges. In addition, these reports have also identified possible avenues to address the innovation gap, including the need to boost Europe’s R&I investments. This need is also identified in the Commission’s communication on ‘The Road to the next Multiannual Financial Framework’ and the Warsaw Declaration, and is one of the three main aims of the ERA Act, as referred to the Competitiveness Compass communication.

Background

As we all know, **European investment in R&D is still well below the 3% of GDP target** established in the 2002 Barcelona Declaration (currently, the EU average stands at 2.2% of GDP). Both public and private R&D investment are below expectations.

Firstly, public R&D investment remains low, uneven and largely uncoordinated across the EU. At EU-level, Horizon Europe contributes about 4% of total R&D investment and around 10% of public R&D funding. Although impactful, with each euro invested generating up to €11 in economic growth by 2045, the level of investment remains modest, representing just 0.08% of EU GDP. In addition, the vast majority of public R&D investment in Europe, amounting to around 90% of the total, remains largely uncoordinated, hindering Europe’s ability to build critical mass around key emerging technologies.

Secondly, European private R&D investment is weak and has remained broadly stagnant over time, notably when compared to other global players. This is partially due to the economic structure of the European economy and its relative inability to inject more dynamism into sectors that have grown particularly fast in the past decades and that are R&D intensive. For example, in the United States, a large share of private R&D is concentrated in high-tech industries such as ICT and healthcare. In the EU, by contrast, there is a stronger presence of mid-tech sectors such as automotive and manufacturing. A cause, but also a consequence, of this lack of dynamism and low private R&D investment in key strategic sectors is the fragmentation of the EU market in key strategic sectors.

Measures are needed to unlock more private investments, either through better public support instruments or by streamlining the regulatory frameworks and creating better conditions for investment, both nationally and at European level. In addition, **the need to boost both public and/or private R&D investment at national level and strengthen national R&I systems through structural reforms has been consistently highlighted in several editions of the *European Semester of policy coordination* (in Country Reports and in Country-Specific Recommendations).**

To address this persistent R&D underinvestment, the EU and Member States need to work hand in hand in adopting the necessary measures. At EU level, the Commission has just launched a new *Start-up, Scale-up Strategy and is preparing a European Innovation Act*. A battery of new measures will be proposed to address some of key bottlenecks that affect the ability of innovators to get better access to talent, knowledge or financial resources for innovation.

Objectives of the discussion

This discussion offers an opportunity for ERAC to assess the combined impact of national and EU public and private investments, share good practices, and explore opportunities for more and more effective coordination and mobilisation of resources.

The discussion should help to shape the future scope of the ERA Act with the aim of bringing national efforts closer to the long-standing 3% R&D intensity target. In this sense, this session is intended to complement the next point on the agenda of the ERAC Plenary about the strategic debate on the ERA Act and in particular its focus on the policy coordination and funding alignment to identify strategic funding priorities.

In particular delegations are invited and encouraged to:

- reflect on where (and how) they believe the greatest impact could be achieved in boosting public and private investments in R&D (national and/or European).

Elements to take into consideration for this reflection are:

- identification of structural barriers to higher investment;
- proposed measures to improve the effectiveness, coordination, impact and coherence of funding sources and investments;
- possible mechanisms to boost R&D investments both at EU level and nationally;
- expanding the existing knowledge base and acting as a lever for stronger private investments;
- assessment of the current composition of public-private investment across Europe.

Setting the scene - Framing the discussion

To set the scene and give all delegates a broad overview of the investments landscape across Europe, we have invited four panellists to present some possible ideas on how we can trigger actions that can help create better conditions for stronger and more impactful R&I related investment.

1. Barbara Weitgruber (DG for Scientific Research and International Relations, Austrian Ministry of Education, Science and Research) on Austria's joint approach on mobilising and better coordinating, notably in public national and EU R&D investment;
2. Mateusz Gaczynski (Deputy Director of the Department of Coordination of the National Reconstruction Plan, Polish Ministry of Funds and Regional Policy) on the Recovery and Resilience Facility (RRF), cohesion funds and the link with defence and security in the context of the landscape of R&D&I investments;
3. Alexandr Hobza (Cabinet of Executive Vice-President Stéphane Séjourné) on EU's broader priorities on competitiveness, innovation, and strategic investment, including developments in the planning of the R&D&I dimension of the Competitiveness Fund;
4. Luke Georghiou (Manchester Institute of Innovation Research, University of Manchester) will present possible actions on how stronger public R&D investment can help leverage more private R&D investment under certain conditions. This intervention will build on the strategic and coordinating role of the Policy Support Facility in the context of the landscape of R&D&I investments.

After a maximum 10-minute introduction by each panellist, ERAC delegates are encouraged to reflect on where (and how) they believe the greatest impact could be achieved to boost focusing on enhancing more and better coordinated public R&D investment to unlock private R&D investments. The intention is for this to be an interactive discussion, where both the points raised by the panellists and those from other delegations are reflected on by the different delegations.

Outcome

A summary report is expected as an outcome of the debate. This report should include possible actionable recommendations for EU institutions and Member States on how to enhance public and private R&D&I investments, as well as on the coordination and alignment mechanisms needed to achieve them. It will also provide input to the broader strategic discussions on the next MFF and the upcoming ERA Act.
