BRIEFING
Requested by the BUDG Committee

Financing competitiveness in the EU

One year on from the Draghi Report

KEY FINDINGS

The EU's investment gap remains structurally large and dual in nature.
Closing it requires action on both public and private financing fronts: public finance can provide strategic direction and risk-sharing, but around 80 per cent of the required investment must ultimately come from private capital.

Administrative simplification in the proposed MFF is substantial, but governance weaknesses persist. The reduction in the number of EU programmes, the Single Rulebook and a unified access point significantly lower operational barriers. At the same time, the shift towards National and Regional Partnership Plans (NRPPs) raises concerns about performance measurement, multilevel coordination and the potential replication of shortcomings observed under the Recovery and Resilience Facility (RRF).

Under the proposed MFF, the EU has moved decisively towards greater strategic coherence, but implementation risks remain high.
The creation of the European Competitiveness Fund (ECF) and the consolidation of multiple programmes mark a clear structural improvement in EU public financing. However, the risk of internal fragmentation across policy windows and the reliance on complex governance arrangements mean that effectiveness will depend critically on coordination and execution rather than on institutional design alone.

Greater EU risk-taking capacity exists on paper, but risk appetite remains the binding constraint. The expansion and unification of EU budgetary guarantees strengthen the de-risking framework, yet past experience with InvestEU suggests that institutional conservatism among implementing partners may continue to limit the deployment of guarantees in higher-risk, strategic sectors.

The EU's fiscal capacity remains structurally constrained.
Despite the headline increase in the 2028–2034 Multiannual Financial Framework (MFF), there is no meaningful expansion of EU-level fiscal capacity once NextGenerationEU interest payments are excluded, no new common borrowing instrument, and no strengthening of the fiscal framework. This falls short of the scale envisaged in the Draghi Report.

Private-side reforms advance integration incrementally but stop short of systemic change. Measures to strengthen the European Security Markets Authority (ESMA), reduce market fragmentation, support supplementary pensions and revive securitisation move in the right direction, but remain constrained by national prerogatives and political limits. The continued paralysis of the Banking Union, including the absence of European Deposit Insurance Scheme (EDIS) and a country-blind jurisdiction, remains the most significant unresolved structural gap.

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Main financing gaps and constraints as identified in the Draghi report

The Draghi Report highlights that closing Europe's investment gap—estimated at EUR 750–800 billion per year, or around 4.4–4.7 per cent of EU GDP—will require a dual effort. Historically, approximately four-fifths of investment across the Union has been financed privately, with only one-fifth funded through public sources. This distribution implies that the EU must address two sets of obstacles: those stemming from the EU's public financing architecture, and those that hinder the mobilisation of private capital at scale. Both dimensions are essential, and neither can compensate for the other. The main constraints on the public and private sides are summarised in Table 1 below.

Table 1: Overview of public and private financing constraints

Public financing constraints	Private investment bottlenecks
EU budget structurally small (≈1% of EU GDP) and insufficiently aligned with strategic priorities.	**High household savings not channelled into productive investment**, leading to slower wealth accumulation.
Spending still concentrated in cohesion and agriculture, limiting resources for innovation and competitiveness.	**Fragmented capital markets**: no single supervisor, no unified rulebook, divergent post-trade systems.
Fragmentation across 50 spending programmes undermines scale and impact.	**Divergent insolvency and tax regimes** hindering cross-border capital flows.
Administrative complexity and slow access to EU funds delaying implementation.	**Excessive reliance on bank-based financing** ill-suited for innovative, high-growth firms.
Low risk appetite of the EU budget and implementing partners, limiting crowding-in of private investment.	**Underdeveloped second and third-pillar pension systems** reducing the supply of long-term patient capital.
NGEU repayment cliff from 2028 reducing effective EU spending capacity without new own resources.	**Structural impediments preventing the expansion of equity and venture capital** markets across the EU.

Source: author's own elaboration

A first set of gaps relates to public financing constraints, which limit the EU's capacity to contribute effectively to strategic investment. The EU budget remains structurally small, at around 1 per cent of EU GDP, especially when compared with national budgets that jointly amount to roughly 50 per cent of GDP. Within this limited envelope, expenditure is still heavily oriented towards cohesion and agricultural policies rather than towards innovation, competitiveness or strategic technological deployment. Fragmentation across nearly fifty spending programmes prevents the budget from achieving the scale required for pan-European transformative projects. Access to EU funding is frequently described as slow and burdensome, leading to lengthy implementation timelines. Moreover, the EU budget shows limited appetite for risk; implementing partners such as the European Investment Bank (EIB) Group continue to prioritise low-risk operations, which constrains the ability of public finance to crowd in private investment in frontier technologies. Finally, the approaching repayment schedule for NextGenerationEU (NGEU)—around EUR 30 billion per year from 2028 onwards—risks mechanically reducing the EU's effective spending capacity unless new own resources are secured.

The second set of obstacles concerns private investment bottlenecks, which are even more consequential given that the bulk of Europe's investment needs—approximately 80 per cent—must ultimately be met by private capital. Despite significantly higher household savings than in the United States (EUR 1,390 billion versus EUR 840 billion in 2022), these savings are not efficiently channelled into productive investment, resulting in slower household wealth accumulation over time. The persistent fragmentation of EU capital markets prevents the efficient allocation of capital across borders. The lack of a single securities supervisor, the absence of a fully unified rulebook, and divergent post-trade infrastructures hinder the emergence of a truly integrated financial market. In addition, disparities in insolvency and tax regimes continue to discourage cross-border investment. The EU's heavy reliance on bank-based financing further limits the availability of risk capital, as bank lending is ill-suited for early-stage, high-growth firms that depend on venture capital and deep equity markets. The EU's underdeveloped second and third-pillar pension systems constrain the supply of long-term patient capital, reducing the scale and depth of equity markets and limiting Europe's capacity to support innovation-driven growth.

Together, these public and private gaps undermine Europe's ability to mobilise the investment required to meet its decarbonisation, digital and defence objectives. Addressing only one side of the equation will be insufficient; public financing reforms can strengthen the foundation, but the overall investment gap cannot be closed without overcoming the structural weaknesses that impede private capital formation.

Main financing recommendations reflected in the Draghi report

A coherent set of reforms is required to ensure that the EU can meet its investment needs. The Draghi Report argues that the Union must strengthen its capacity to finance strategic projects through a more focused and effective public budget, while at the same time removing the structural barriers that prevent private capital from being mobilised at scale. Productivity gains and reforms that enhance Europe's competitiveness are presented as essential preconditions for creating fiscal space and for ensuring that both public and private investment can contribute fully to the Union's strategic objectives. The main recommendations on the public and private sides are summarised in Table 2 below.

Table 2. Main financing recommendations in the Draghi Report

Public-side reforms	Private-side reforms
Establish a Competitiveness Pillar in the next MFF to concentrate resources on strategic projects.	**Transform ESMA into a genuine single supervisor** with full regulatory and supervisory powers.
Simplify and consolidate EU funding programmes, supported by a single interface for project promoters.	**Move towards centralised market infrastructures**, including a single Central Counterparty (CCP) and a consolidated Central Securities Depository (CSD).
Increase EU risk-taking capacity through a **larger InvestEU guarantee.**	**Expand and standardise second-pillar pension schemes** to channel long-term savings into capital markets.
Extend the EIB's mandate to allow direct equity investment and higher risk-taking in strategic technologies.	**Revive the securitisation market** through targeted prudential and transparency adjustments.
Develop new forms of common funding for European public goods, support regular issuance of common safe assets and strengthen fiscal rules	**Complete the Banking Union** with a country-blind jurisdiction for cross-border banks.

Source: author's own elaboration

A first set of recommendations focuses on strengthening the EU's system of public financing so that it can more effectively underpin strategic investment. In the next Multiannual Financial Framework (MFF), the report proposes establishing a dedicated Competitiveness Pillar to channel resources towards innovation, strategic technologies and cross-border industrial projects. This would allow the EU budget to deliver greater scale and focus on areas where coordinated action is indispensable. To address the persistent fragmentation of EU funding instruments, the report calls for a substantial simplification of spending programmes and the creation of a single interface for project promoters, reducing administrative burdens and accelerating implementation. Increasing the EU's risk-taking capacity is also considered essential, including through a larger EU guarantee under the InvestEU programme, which would enable higher investment volumes in frontier sectors. In parallel, the report recommends revisiting the mandate of the EIB, allowing it to undertake direct equity investments in strategic high-tech areas and to assume greater risk in support of European technological leadership.

Beyond the EU budget, the report underlines the need for new forms of common funding to support European public goods that are currently underprovided, such as breakthrough research, cross-border energy networks and joint defence procurement. Regular issuance of common safe assets—building on the precedent of NGEU—would help finance these projects while also deepening financial integration by providing a common benchmark yield curve and high-quality collateral. The expansion of common issuance would need to be accompanied by strengthened fiscal rules to ensure the sustainability of national public finances and to preserve market confidence.

These public-side reforms must be accompanied by a comprehensive effort to remove the barriers that prevent private capital from being mobilised at scale, as both dimensions are mutually reinforcing and essential to closing the EU's investment gap. Completing the Capital Markets Union is central to this effort. This includes transforming the European Securities and Markets Authority (ESMA) into a genuine single supervisor for EU securities markets, akin to the United States of America (US) Securities and Exchange Commission, with independent governance and full supervisory powers. The report also advocates moving towards centralised market infrastructures, including a single central counterparty platform and a consolidated central securities depository. To boost long-term savings markets, Member States should be encouraged to expand second-pillar pension schemes and standardise pension products, thereby increasing the supply of patient capital across the Union. Reviving the securitisation market is also essential, requiring targeted adjustments to prudential and transparency requirements so that banks can transfer risk and free up capital for additional lending. Finally, the report reiterates the need to complete the Banking Union by creating a distinct jurisdiction for banks with substantial cross-border activity—one that ensures supervision and regulation that are genuinely country-blind.

Together, these reforms, public and private, reflect a coherent strategy to raise Europe's investment capacity, enhance competitiveness and ensure that the EU can deliver on its decarbonisation, digital and defence objectives.

Assessment of recent EU initiatives in light of the Draghi Report (public-side reforms)

This section assesses how the Commission's recent legislative proposals for the next MFF reflect the public-side reforms outlined in the Draghi Report. The structure follows the key public-financing dimensions summarised in Table 2.

Establishing a Competitiveness Pillar in the next MFF

The Commission's proposal for a European Competitiveness Fund (ECF) is one of the most significant structural innovations of the MFF reform and responds directly to the call for a consolidated Competitiveness Pillar. By consolidating 14 existing programmes –including InvestEU, the European Defence Fund, Digital Europe, EU4Health, LIFE, parts of the Single Market Programme and others– into a single framework, and aligning them with Horizon Europe through a joint rulebook, the ECF replaces a dispersed and heterogeneous programme landscape with a more unified investment architecture.

The Commission structures the ECF around four policy windows – clean transition and industrial decarbonisation; health, biotechnology, agriculture and the bioeconomy; digital leadership; and resilience and security, defence industry and space – which in practice function as distinct opportunity areas. Although these windows sit under a single financing framework, their internal logic and policy communities remain highly differentiated. Ensuring that these areas operate in a complementary manner, rather than as new silos within the consolidated structure, will require strong coordination mechanisms within the ECF's governance framework.

Overall, the Commission's proposal moves clearly in the right direction. It operationalises the consolidation envisaged in the Draghi Report and provides a coherent structure for EU-level strategic investment. The critical question will be whether the governance of the ECF—through its Strategic Stakeholder Board and Investment Committee—can ensure coordination across the four windows and prevent the re-emergence of fragmentation within the new framework.

Simplifying and consolidating EU funding programmes, supported by a single interface

The Commission proposes a major simplification effort, reducing the number of programmes from 52 to 16 and introducing a Single Rulebook for the ECF and Horizon Europe, harmonising definitions, eligibility criteria and audit requirements across these two instruments, while streamlining rules for other components. A single digital entry point for the ECF and Horizon Europe will act as a unified interface for project promoters, while national portals will continue to support shared-management funds. These reforms significantly streamline access to EU funding and address one of the central operational challenges identified in the Draghi Report.

A key element of the Commission's proposal is the creation of National and Regional Partnership Plans (NRPPs), which consolidate 21 programmes covering cohesion, agriculture, fisheries, migration and social policies into a single national partnership framework for each Member State. This is intended to improve coherence across shared-management spending and to align national planning more closely with EU-level strategic priorities.

While this reorganisation moves in the right direction, the experience with the Recovery and Resilience Facility (RRF) suggests that several governance challenges will require careful attention. Extending a performance-based model to cohesion and agricultural spending may improve focus and delivery, but the implementation of the RRF showed that performance frameworks often relied on heterogeneous indicators, with substantial variation in ambition and limited measurement of outcomes. Moreover, the centralised design and monitoring of national plans during the RRF phase highlighted potential risks related to the involvement of regional authorities and sectoral stakeholders, whose effective participation is essential for policies with strong territorial and multi-level dimensions.

Against this background, the NRPPs could become a valuable tool for strategic coherence if appropriately designed, but their effectiveness will depend on ensuring meaningful multilevel coordination through binding partnership mechanisms and on developing performance indicators capable of capturing results rather than merely administrative milestones. The direction of travel is broadly positive, yet the governance model will need to be strengthened to avoid reproducing some of the limitations observed during the implementation of the RRF.

Increasing EU risk-taking capacity through a larger InvestEU guarantee

The Commission's proposal builds on the unified guarantee framework already introduced under the current MFF through the InvestEU programme and further develops it into an ECF InvestEU Investment Instrument, placing the EU budgetary guarantee at the core of a more strategic and targeted investment model. Under the ECF's basic act, this single EU budgetary guarantee for internal policies will be expanded and used to replace the remaining array of fragmented instruments, simplifying the framework for implementing partners and ensuring a more coherent deployment of the Union's risk-bearing capacity.

The ECF also introduces a standardised toolkit of grants, equity, loans, guarantees and procurement, supported by a unified set of technical rules for guarantees, financial instruments and blending operations. This integrated approach is intended to reduce administrative complexity and better align all risk-taking tools with the strategic priorities identified in the Competitiveness Action Plans.

While the final size of the EU guarantee is still subject to negotiation, the draft ECF regulation sets a flexible allocation for guarantees between EUR 17 billion and EUR 70 billion, with a minimum of EUR 17 billion of Union support from the ECF delivered through the ECF InvestEU Instrument. This envelope will be backed by provisioning from the ECF budget and complemented by advisory services and cross-cutting support. The architecture nonetheless strengthens the strategic focus of EU de-risking, particularly in priority areas such as resilience, security, the defence industry and space.

The ECF provides a flexible instrument for EU de-risking. However, alignment with Draghi's ambition depends entirely on implementation. The intermediate evaluation of InvestEU demonstrated that available guarantees were not exhausted due to institutional risk aversion, suggesting that the binding constraint is risk appetite, not budgetary availability. Consequently, the effective contribution of the ECF InvestEU Instrument to EU competitiveness will hinge on whether implementing partners deploy the full envelope in higher-risk sectors and whether the ECF Investment Committee exerts sufficient strategic pressure to overcome legacy conservatism.

Extending the EIB's mandate to allow direct equity investment and higher risk-taking

In March 2025, the Council adopted Decision (EU) 2025/504 amending Article 16(5) of the EIB Statute to remove the fixed 250 per cent gearing ratio and give the Board of Governors the discretion to set leverage limits. This reform, requested by the EIB Group in September 2024, eliminates a major operational constraint that had limited the Bank's ability to scale up higher-risk activities, including quasi-equity instruments and equity operations carried out through the European Investment Fund (EIF).

The ECF provides a unified rulebook for the EIB Group's instruments—equity and quasi-equity (primarily through the EIF), guarantees, loans and blended finance—allowing the Group to increase its support for frontier technologies. Recent developments, such as the expansion of the EIB Group's financing ceiling to EUR 100 billion in 2025, and new programmes, such as TechEU (EUR 70 billion) and Space TechEU, illustrate the Group's strengthened capacity to mobilise private capital.

While the statutory reform represents progress towards Draghi's call for a more risk-tolerant EIB Group, it remains constrained by Treaty-level limits, notably Article 309 of the Treaty on the Functioning of the European Union (TFEU), which prohibits the EIB itself from undertaking direct equity investments. This prohibition can only be modified through Treaty revision, which is not politically feasible in the near future. As a result, the Group's expanded engagement in high-risk sectors has advanced mainly through strategic prioritisation within its Operational Plans and through instruments implemented by the EIF, rather than through fundamental changes to the EIB's legal mandate.

Full alignment with Draghi's vision therefore depends less on additional legal reform and more on sustained political direction within the ECF framework, enabling the EIB Group to maximise the use of the instruments that are permissible under the current Treaties.

Size of the MFF and fiscal framework

The Commission presents the 2028–2034 MFF as a major step forward, emphasising a nominal increase of around 40 per cent and a total envelope approaching EUR 2 trillion. However, once NGEU repayments are excluded and the proposal is assessed as a share of EU Gross National Income (GNI), the picture changes substantially. In relative terms, the size of the MFF remains broadly in line with the current framework, and the modest increase that does appear on paper could be easily erased during the Council negotiations, as has happened in previous cycles. This falls short of the scale of reinforcement envisaged in Draghi's call for a significant expansion of EU-level fiscal capacity.

The proposal also does not provide for any new common financing instrument comparable to NGEU. The absence of fresh joint borrowing reflects the very limited fiscal space available at EU level, particularly given the sharp rise in annual NGEU repayments from 2028 onwards. Against this backdrop, the Commission has instead put forward a set of new own resources, but these would generate only modest revenues and, in several cases, raise questions of coherence with competitiveness and the broader objective of strengthening the Union's fiscal architecture. Some of the proposed levies, such as the Coordinated Revenue-Raising Instrument (CORE), would effectively operate as additional taxes on production and cross-border activity, increasing firms' cost base without offering commensurate gains in fiscal integration or simplification. Rather than moving towards a more integrated corporate tax framework, along the lines of the BEFIT proposal, these measures risk layering yet another set of charges on top of existing national tax systems, thereby complicating the environment for investment and eroding the attractiveness of the Single Market for globally mobile activities.

Nor does the proposal advance the strengthening of fiscal rules recommended by Draghi. On the contrary, the widespread use of national escape clauses to accommodate higher defence expenditure underscores that fiscal discipline is becoming increasingly fragmented. The reliance on nationally determined derogations runs counter to the idea of a coherent and predictable fiscal framework capable of supporting common investment and ensuring consistency across the Union.

Taken together, the Commission's approach maintains a structurally limited EU budget, introduces no meaningful expansion of common financing, and does not reinforce the fiscal framework. Despite being presented as a more ambitious package, the proposal remains constrained by the existing architecture and does not match the scale of the investment challenge identified in the Draghi report.

Table 3. Alignment of Commission proposals with Draghi's recommendations (public-side reforms)

Category	What the Commission proposes	Alignment with Draghi	Assessment
Competitiveness Pillar (ECF)	Creation of an ECF consolidating 14 programmes under a single framework with four thematic windows and a joint rulebook with Horizon.	Largely aligned: Draghi called for a consolidated Competitiveness Pillar and for reducing fragmentation across programmes.	Positive structural step, but risks of new internal silos and coordination failures. Impact depends on governance.
Simplification and single interface	Reduction from 52 to 16 programmes; Single Rulebook; single digital entry point; creation of NRPPs consolidating 21 programmes across cohesion, CAP, fisheries, migration and social policy.	Partially aligned: Draghi emphasised simplification and a single interface, but not the degree of renationalisation implicit in the NRPPs.	Directionally positive, but governance concerns persist. Performance-based logic risks repeating RRF shortcomings; regional authorities risk marginalisation; potential dilution of cohesion policy.
Increasing EU risk-taking capacity (InvestEU guarantee)	Single EU budgetary guarantee for internal policies; flexible guarantee envelope (EUR 17–70bn); unified toolkit for grants, equity, loans, guarantees and procurement; integrated technical rules.	Conditionally aligned: Draghi called for greater EU risk-taking capacity, but the constraint lies in implementation and risk appetite rather than in budgetary availability.	Architecture is sound, but effectiveness depends on whether implementing partners overcome risk aversion and deploy guarantees in higher-risk sectors.
EIB mandate and higher risk-taking	Removal of the 250% gearing ratio; expansion of financing ceilings; strategic prioritisation of high-tech sectors; unified ECF rulebook for EIB Group instruments.	Partially aligned: Draghi recommended revisiting the EIB's mandate and increasing its risk-taking capacity. The statutory step helps but remains limited by Treaty constraints.	Meaningful operational improvement but still bound by Article 309 TFEU. Alignment will depend on strategic guidance.
Size of the MFF and fiscal framework	Nominal 40% increase to EUR 2 trillion; but real size broadly unchanged once NGEU repayments excluded; no new common borrowing; new own resources, but some could put competitiveness at risk.	Not aligned: Draghi called for a significant expansion of EU-level fiscal capacity and for stronger, predictable fiscal rules. Neither materialises in the proposal.	Ambition is overstated. The EU budget remains structurally small; no NGEU-style financing; fiscal rules weakened through defence escape clauses.

Source: author's own elaboration

Assessment of recent EU initiatives in light of the Draghi Report (private-side reforms)

This section assesses how the Commission's recent legislative proposals reflect the private-side reforms outlined in the Draghi Report. The structure follows the key public-financing dimensions summarised in Table 2.

Transforming ESMA into a genuine single supervisor

On 4 December 2025, the Commission published its Market Integration Package, a set of legislative proposals aimed at reducing supervisory fragmentation in EU capital markets. The package expands ESMA's supervisory role by granting it direct oversight over selected significant and cross-border market actors, including in new areas such as crypto-asset services, and by strengthening its coordination of large asset managers and investment funds. It also introduces governance reforms—such as an Executive Board and a more stable funding model—and enhances ESMA's enforcement and supervisory convergence tools, including corrective powers and the ability to suspend passporting rights in cases of serious failures.

These measures only partially align with the Draghi Report's call for more centralised EU-level supervision of EU-wide risks. Rather than transforming ESMA into a fully centralised capital markets supervisor with comprehensive direct supervisory and enforcement Powers, comparable to the role played by the US Securities and Exchange Commission, the package confines centralisation to selected entities and activities, leaving the core supervisory architecture largely national.

Moving towards centralised market infrastructures

The 4 December 2025 package also seeks to remove structural barriers to the integration of EU capital markets by reducing unnecessary divergences in authorisation, operational and reporting requirements. The objective is to lower compliance costs, strengthen passporting—the ability to operate across the EU with a single licence—and enable more efficient cross-border market structures.

The package introduces more harmonised rules for trading venues and central securities depositories (CSDs), which handle securities settlement, a pan-European market operator licence, simplified passporting for UCITS (retail investment funds) and AIFMs (alternative investment fund managers), and measures to facilitate cross-border securities issuance and settlement, including greater use of TARGET2-Securities (T2S), the EU's settlement platform.

These reforms meaningfully reduce operational fragmentation and improve single-market functioning. However, they stop short of the deeper infrastructural consolidation envisaged by Draghi, leaving Europe's market architecture largely decentralised.

Expanding and standardising second-pillar pension schemes

On 20 November 2025, the Commission presented a package to strengthen supplementary pensions—both occupational and personal—with the aim of expanding long-term savings and investment. The initiatives include a Recommendation encouraging auto-enrolment into occupational pension schemes, improved pension tracking and EU-compatible pension dashboards; a revision of the IORP II Directive[1] (the EU framework for occupational pension funds) to facilitate

[1] The IORP II Directive (Directive (EU) 2016/2341) sets prudential and governance requirements for institutions for occupational retirement provision, including the prudent person principle governing investment decisions.

consolidation, strengthen saver protection and allow more diversified investment strategies, including higher equity exposure; and targeted amendments to the Pan-European Personal Pension Product (PEPP) to make it simpler and more attractive, notably through a low-cost "Basic PEPP", more flexible product design and more consistent tax treatment across Member States.

The reforms broadly support Draghi's call to expand second-pillar pensions and increase the supply of long-term capital. However, pension provision remains primarily a Member State prerogative; EU action can only steer at the margins rather than deliver the systemic expansion envisioned in the Draghi Report.

Reviving the securitisation market

On 17 June 2025, the Commission adopted a set of targeted amendments to simplify and modernise the EU securitisation framework, with the aim of facilitating issuance and investment while preserving financial stability. The initiative, presented as the first legislative action under the Savings and Investments Union (SIU) Strategy[2], responds to evidence that certain elements of the 2019 framework have unintentionally constrained market development. By streamlining rules and reducing unnecessary complexity, the package seeks to encourage greater securitisation activity and free up bank balance sheets for additional lending to households and firms, thereby supporting growth, innovation and job creation across the EU.

The Commission's proposals act within its regulatory mandate and follow the direction Draghi identified, although the broader scale of market revival ultimately depends on banks' willingness to use securitisation and on supervisory attitudes at national level.

Completing the Banking Union with a country-blind jurisdiction

The Banking Union remains stalled: the European Deposit Insurance Scheme is politically blocked and the Treaty establishing the European Stability Mechanism (ESM), which introduces the common backstop to the Single Resolution Fund, has not been fully ratified. This leaves Draghi's recommendations, including on a country-blind jurisdiction, entirely unmet.

[2] The SIU Strategy is the Commission's new framework that succeeds the Capital Markets Union agenda and brings together elements of the Banking Union, with the aim of better channelling EU savings into productive investment and deepening integrated European capital markets.

Table 4. Alignment of Commission proposals with Draghi's recommendations (private-side reforms)

Category	What the Commission proposes	Alignment with Draghi	Assessment
ESMA as a single supervisor	Expands ESMA's direct supervision; stronger coordination of large asset managers; governance reform (Executive Board, funding model); enhanced convergence/enforcement toolkit.	Partially aligned, but reforms remain limited to selected segments and rely heavily on national authorities.	Meaningful structural step, but far from the SEC-style centralisation envisaged by Draghi; effectiveness depends on implementation and national cooperation.
Centralised market infrastructures	Removes duplicative requirements; harmonises rules for trading venues, CSDs and asset managers; new pan-European market operator licence; improved passporting; T2S settlement requirement; strengthened open access and direct broker access.	Partially aligned: improves interoperability and reduces fragmentation but does not pursue the deeper consolidation of infrastructures advocated by Draghi.	Advances integration and efficiency but remains constrained by a decentralised architecture.
Second-pillar pension schemes	Auto-enrolment recommendation; expansion of pension tracking systems and dashboards; revision of IORP II to support consolidation and diversified portfolios; reforms to PEPP to increase accessibility and scale; clarification of prudent person principle.	Broadly aligned: supports Draghi's objective of expanding long-term savings, but pensions remain a Member State prerogative.	Positive directionally, but impact depends on national uptake; cannot deliver the systemic expansion Draghi envisaged.
Reviving securitisation	Targeted amendments to simplify the 2019 framework, remove undue barriers and reduce complexity; aim to increase issuance and investment, free bank balance sheets and boost lending to households and firms.	Largely aligned, though ultimate scale depends on market behaviour and supervisory attitudes.	Pragmatic and timely, but impact contingent on investor appetite and bank willingness to use the tool.
Completing the Banking Union	No new proposals; EDIS remains blocked; ESM Treaty (common backstop to SRF) not fully ratified.	Not aligned: Draghi's call for a country-blind jurisdiction and full Banking Union remains unmet.	Banking Union is effectively stalled, leaving a major structural gap in the EU financial architecture.

Source: author's own elaboration

Conclusions

One year after the publication of the Draghi report, the overall picture is one of partial but uneven progress. The Commission has launched several important initiatives, most notably the ECF under the MFF proposal, the simplification of EU spending programmes, the Market Integration Package, and reforms linked to pensions and securitisation. Together, these measures show that the Commission has taken the Draghi report seriously and has incorporated a large part of its diagnosis into its legislative and policy agenda.

However, the scale of the reforms remains below the level of ambition set out in the Draghi report. On the public-financing side, the 2028–2034 MFF does not represent a structural reinforcement of the EU budget, nor does it introduce new common financing instruments comparable to NGEU. The absence of stronger fiscal rules and the continued fragmentation of national approaches further limit the Union's capacity to finance strategic investment. These gaps suggest that the MFF, as currently designed, does not yet meet the long-term financing needs identified by Draghi.

On the private-side reforms, the Commission's initiatives move in the right direction but remain constrained by institutional and political realities. ESMA's powers are strengthened, but the supervisory architecture stays largely decentralised. Progress towards more centralised trading and post-trading infrastructures is real but incremental. The initiatives on supplementary pensions have significant potential but rely heavily on national uptake, which is uncertain. The reform of the securitisation framework is welcome but cannot, on its own, deliver the market depth Draghi envisaged. Meanwhile, the Banking Union remains effectively stalled, with no progress on EDIS and no full ratification of the ESM Treaty to activate the common backstop. Taken together, these developments show that the EU has started to act on Draghi's recommendations, but has not yet matched the scale of the challenges he identified.

Beyond Draghi's diagnosis, there are at least three dimensions that merit greater attention in debates on the future financing of competitiveness and industrial policy. First, the report does not address the potential role of differentiated integration or enhanced cooperation mechanisms as tools for advancing capital markets integration or fiscal capacity among willing Member States, an approach that could unlock progress where unanimity proves elusive. Second, the report pays relatively limited attention to the role of genuinely integrated corporate tax bases and "good" own resources –such as a BEFIT-type common base or well-designed green levies. Finally, Draghi touches only briefly on the political economy of implementation –in particular the tension between a more centralised industrial policy narrative and the need to preserve competition, state-aid discipline and trust in EU-level institutions– which will be critical for sustaining any expanded financing architecture over time.

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