



European Economic  
and Social Committee

# OPINION

European Economic and Social Committee

## Investments and reforms for competitiveness and a Capital Markets Union

Investments and reforms to boost European competitiveness  
and creating a Capital Markets Union  
(exploratory opinion requested by the European Parliament)

ECO/665

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## 1. Conclusions and recommendations

- 1.1 The EESC underlines that while the EU has set itself ambitious goals with respect to fair transition, digitalisation, resilience, strategic autonomy, sustainable competitiveness and the need for security and defence as a result of geopolitical developments, the funding gap remains the Achilles heel of the EU's high ambition to make the EU and the single market fit for the future.
- 1.2 In order to plug the public investment gap, the EESC advocates the following measures: i) the establishment of an EU investment fund for competitiveness and resilience, to be established as part of the next Multiannual Financial Framework (MFF); ii) increasing co-financed programmes such as structural funds under the EU's upcoming MFF, on the grounds that this would pay off twice, making it possible for more European funding to be flanked by more national co-financing, without coming into conflict with the new fiscal rules; and iii) a targeted revision of Regulation 2024/1263 in order to privilege growth-enhancing public investments that contribute to the competitiveness and resilience of the EU economies.
- 1.3 The limited size of the EU budget requires innovative methods to facilitate investment in strategic sectors, industrial transformation and 'unbankable' projects. Expanding the InvestEU programme is an important part of this fiscal approach. However, it is important to reflect on the caveats of this approach, such as the reproduction of existing regional inequalities. What is more, the EESC underlines that any further leveraging of the EU budget to mobilise private investment through financial instruments must be accompanied by transparent and enforceable performance and sustainability criteria, as well as by impact assessments, which are critical for a successful industrial policy and efficient use of the public purse. The EESC adds that the EIB should expand its direct investment in certain cleantech and technology companies, especially where these do not receive adequate funding from the private sector. Long-term projects must also be financed in order to achieve the emission reduction targets.
- 1.4 The EESC points out the strategic importance of completing the Capital Markets Union (CMU), while also ensuring that small-scale savers are protected, financial market stability is not reduced and the objectives of pension savings are respected. The creation of an SIU, combining the CMU and the Banking Union, should address the structural problems of the EU's financial sector and build appropriate and pragmatic solutions.
- 1.5 More concretely, in the EESC's view, one central element of the SIU agenda should be promoting supervisory convergence and strengthening the role of the European Supervisory Authorities (ESAs). The need for enhanced powers in harmonisation and supervision should be considered for the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA). Direct supervision, by the ESMA, of market infrastructure operators with significant cross-border activities, such as central securities depositories and central counterparties, is also needed. The EESC recommends a phased approach, as we consider that the ESMA is not currently fit to absorb the direct supervision of a large number of financial players. In parallel, reforms in ESMA governance and its relationship with national competent authorities should be

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undertaken in order to prepare a potential further step in supervisory integration once conditions are met.

- 1.6 Institutional investors such as insurers and pension funds play an essential role in the EU's financial system. Unlike other institutional investors, however, their mandates are much broader and involve protecting policyholders and pension savers against risks beyond financial risk. These specific mandates require an approach towards risk-taking that is not determined solely by financial returns. That said, the EESC welcomes the Commission proposal to specify the eligibility criteria for the favourable prudential treatment of long-term investments in equity in the Solvency II delegated act.
- 1.7 The EESC underlines that pension policy has first and foremost the social policy objective of ensuring the best possible provision of social security for workers in old age. Public pension schemes are the best way to fulfil this socio-political mandate. Taking this into account, the EESC considers that the expansion and strengthening of collectively agreed occupational pension schemes (Pillar 2), with a minimum contribution by the employer, supervised by a public entity implementing binding and sustainable investment guidelines, could be a way forward, provided this is done in a way that complements public pension systems and without undermining them.
- 1.8 The EESC believes that improving the functioning of the securitisation market could broaden investment opportunities for investors and help to advance the CMU. Efforts to stimulate securitisation in the EU should concentrate on producing demonstrable benefits in terms of additional funding for the real economy. Securitisation should play a complementary role to other debt capital instruments, such as covered bonds.

## 2. General comments

### 2.1 Introduction and context

- 2.1.1 The EESC underlines that while the EU has set itself ambitious goals with respect to fair transition, digitalisation, resilience, strategic autonomy, sustainable competitiveness and the need for security and defence as a result of geopolitical developments, the funding gap remains the Achilles heel of the EU's high ambition to make the EU and the single market fit for the future.
- 2.1.2 In this respect, the EESC notes that the investment gap relating to the green transition amounts to around 4% of GDP annually until 2030<sup>1</sup>. Additional investment requirements arise if other important political goals and challenges are also taken into account, such as i) the digital transformation; ii) increasing economic resilience by anchoring production and improving the competitiveness of all sectors in the EU, including services; iii) social investment, for instance, in basic aspects of public policy, essential services such as health care, and training and skills; and iv) the separate challenges of environmental protection to fight the biodiversity crisis and the increasingly necessary investment in climate adaptation. In addition to this, an urgent

<sup>1</sup>Mario Draghi, [The future of European competitiveness \(Draghi report\)](#).

need for action to increase investment in defence capacities has emerged in recent months due to the Trump administration's U-turn on defence policy amid severe geopolitical tensions.

2.1.3 Substantial amounts of public funding are needed for public investments and to trigger private investment in areas where there is not yet a business case for carbon-neutral solutions, as well as in strategic sectors where production would otherwise take place in geoeconomically competing world regions.

2.1.4 Public funds are key for investment in infrastructure and in other public goods which market actors have far fewer incentives to provide, but which can create the conditions for them to flourish and invest. While the main vehicle for financing the EU transition should be private-sector investments, most studies estimate that the share of public financing ranges between 25-60%, depending on the sector<sup>2</sup>. In sum, the public investment gap amounts to at least 1.25% of GDP per year<sup>3</sup>.

## 2.2 Public funding: More fiscal resources to unleash investments

2.2.1 Relating to the European Commission's initial statements on the possibility of creating a competitiveness fund, the EESC proposes that an EU investment fund be established as part of the next MFF. This should aim to provide financial resources for investment projects that are of strategic European interest. The EESC has identified five investment fields for a future EU investment fund: i) cross-border infrastructure projects; ii) investment to complete the Energy Union; iii) investment to strengthen the competitiveness of European industries; iv) social investment, for instance in education and training; and v) the need for security and defence, as a result of geopolitical developments. The primary goal of this fund should be to support Member States in achieving a level of public investment that is sustainable and to increase the competitiveness and resilience of the EU economy.

2.2.2 The EESC believes that the EU investment fund should be financed by a mix of resources, including Member State contributions, new own resources and joint EU debt issuance, which was pioneered successfully as an innovative instrument during the COVID-19 pandemic and could be repeated in order to finance the sustainable competitiveness and resilience of the single market in the future<sup>4</sup>. In that context, the EESC also reiterates and fully supports the Commission's call for the Council 'to resume work on the issue of new own resources as a matter of urgency'<sup>5</sup>.

2.2.3 Alongside additional EU-level financing, the EU will need to unleash the use of public funding at national level to meet investment needs. In this context, the EESC suggests that the EU institutions make use of the provisions included in Art. 2(2) of Regulation 2024/1263<sup>6</sup>,

<sup>2</sup> [Institute Rosseau, Road to Net Zero](#), January 2024.

<sup>3</sup> [An EU Future Fund: Why and How? Background Paper of the Progressive EU Fiscal Policy Network](#).

<sup>4</sup> OJ C, C/2024/6862, 28.11.2024, ELI: <http://data.europa.eu/eli/C/2024/6862/oj>.

<sup>5</sup> [COM\(2025\) 46 final](#), 11 February 2025.

<sup>6</sup> OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>.

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according to which national co-financing of EU programmes will not be counted under the net expenditure path under the new EU fiscal framework.

2.2.4 The EESC hopes that co-financed programmes such as structural funds will be increased under the EU's upcoming MFF. This would pay off twice: more European funding can be flanked by more national co-financing, without coming into conflict with the new fiscal rules. The abovementioned provision in Regulation 2024/1263<sup>7</sup> should be used to drive forward an EU-led investment agenda.

2.2.5 The EESC welcomes the Commission's intention to recommend to the Council activating the national escape clause under the Stability and Growth Pact as an immediate measure in order to allow for an increase in military spending. However, the EESC regrets that the room of manoeuvre to finance public investments remains severely limited. This is not economically viable and might cause political opposition. The EESC suggests a targeted revision of Regulation 2024/126<sup>8</sup> in order to privilege growth-enhancing public investments that contribute to the competitiveness and resilience of the EU economies.

### 2.3 Private funding: Mobilising private investments with public support – the role of the EIB

2.3.1 The EESC agrees that the current situation calls for a comprehensive set of measures to unlock private investment, including both the targeted and strategic use of the instruments provided by the EIB, as well as socially conditioned aid and subsidies for companies.

2.3.2 The EIB benefits from a wide network of partners which allows it to access a rich pipeline of projects. The EIB's capacity should be expanded in line with additional investment needs, including in terms of debt, guarantees and equity products, via the European Investment Fund.

2.3.3 At the same time, the EIB should focus more strictly on market gaps where private funding is not available, improve its time to market and streamline its current fragmented 'catalogue' of mandates, in order to provide more visibility to companies.

2.3.4 The limited size of the EU budget requires innovative methods to facilitate investment in strategic sectors, industrial transformation and 'unbankable' projects. Using guarantees and expanding the InvestEU programme is important. However, since its efficacy rests on the capacity of implementing partners and financial intermediaries, it is important to reflect on the caveats of such an approach.

2.3.5 Allocating funds by leveraging the EU budget can reproduce existing regional inequalities. Being demand-driven, certain funds and programmes disadvantage Member States and regions that do not have a project pipeline and deeper capital markets<sup>9</sup>. As unlocking investment in the EU will also require the easing of restrictions on national fiscal policies and state aid, it is

<sup>7</sup>OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>.

<sup>8</sup>OJ L, 2024/1263, 30.4.2024, ELI: <http://data.europa.eu/eli/reg/2024/1263/oj>.

<sup>9</sup>EESC [Evaluation of European Fund for Strategic Investment 2.0](#), September 2022.

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necessary to ensure that the SIU action plans contribute to reducing inequalities and stress the objective of ensuring cohesion, which remains a cornerstone of the single market.

2.3.6 Any further leveraging of the EU budget to mobilise private investment through financial instruments must be accompanied by transparent and enforceable performance and sustainability criteria, as well as by impact assessments. All in all, the problem of moral hazard also has to be carefully considered.

2.3.7 The EESC believes that supporting higher risk projects and long-term transition projects is possible by building on and expanding the capacity of the EIB, the European Investment Fund, and national promotional banks and institutions. In particular, equity investments by public and private entities are a central funding alternative for start-ups, scale-ups and established companies, and remain an under-exploited resource that can bolster EU competitiveness.

2.3.8 In this respect, resources should be enhanced in order to enable financial institutions to do so. The proposed increase in the budget guarantee for InvestEU is positive. However, the EESC insists that the abovementioned conditions for leveraging private investments with public money should apply. Moreover, the EESC stresses that any simplification of administrative requirements must not come at the expense of targeted and proper use of means. Additionally, strengthened coordination between supranational institutions (horizontal) and national institutions (vertical) will be critical in order to enhance capacity, for instance through building on best practices and expertise in the Member States. Here again, the dangers of inequalities between Member States' financial ecosystems and of weak conditionalities must be reflected in dedicated programme designs.

2.3.9 The EESC adds that the EIB should expand its direct investment in certain cleantech and technology companies that do not receive adequate funding from the private sector. Long-term projects must continue to be financed in order to achieve the emission reduction targets. Thus, longer-term investment goals could be pursued and political control could be strengthened through investment guidelines and transparent impact analysis.

## 2.4 Moving forward with the Savings and Investment Union (SIU)

2.4.1 The EESC points out the strategic importance of completing the CMU, while ensuring that small-scale savers are protected, financial market stability is not reduced and the objectives of pension savings are respected<sup>10</sup>. The creation of an SIU, combining the CMU and the Banking Union, should address the structural problems of the EU's financial sector and build appropriate and pragmatic solutions. Fragmentation of EU financial markets along national boundaries continues to be the single most important obstacle to the cross-border flow of investment within the EU.

2.4.2 Each year several hundred million euros of savings of Europeans are invested outside the EU. A key aim of the SIU should be to reverse this trend by i) improving the returns available on EU

<sup>10</sup> See the EESC opinion on [Assessment of the Letta and Draghi reports on the functioning and competitiveness of the EU's Single Market](http://data.europa.eu/eli/C/2025/2004/oj), February 2025, OJ C, C/2025/2004, 30.4.2025, ELI: <http://data.europa.eu/eli/C/2025/2004/oj>

investments and ii) when designing and implementing the regulatory framework, by preserving a level playing-field for EU market participants, relative to their large international competitors.

2.4.3 The EESC would also like to emphasise that the design of the SIU must be primarily guided by the interests and fundamental rights of EU citizens. It must be built on the highest standards of market integrity and consumer protection, while encouraging prudent risk-taking. This includes quality supervision and extends to the creation of common European data spaces for financial services, whose undoubted benefits must be balanced against EU citizens' fundamental rights to privacy and data protection, without entailing unnecessary costs.

## 2.5 **Improving households' access to high-performance, sustainable and safe long-term investment options**

2.5.1 Among other factors reducing retail participation in financial markets, retail investors face fees 40% higher than those paid by institutional investors<sup>11</sup>, partly due to differences in compliance and distribution costs. This has contributed to make investing in financial assets rather unattractive for households. The EESC expects that more fluid cross-border competition should encourage providers to offer lower fees. At the same time, the EESC warns against increasingly transferring macroeconomic risks to low- and middle-income households by incentivising risk-taking at the expense of the necessary precautionary savings. The EESC draws attention to the complexity of the information that households receive, in particular regarding complex non-transparent funds.

2.5.2 The EESC encourages targeted initiatives to overcome the fragmentation of EU markets and financial markets infrastructure, which could contribute significantly towards making domestic markets more attractive for European households. In the USA, trading venues and other market infrastructure are more consolidated, which is reflected in better liquidity, more pre- and post-trade transparency, more efficient pricing, faster settlement and lower transaction costs.

2.5.3 In finalising the Retail Investment Strategy, the EESC calls upon the co-legislators to ensure that households have access to a wide range of high-performance and cost-efficient savings and investment solutions offered at transparent and competitive prices, as well as to transparent information about risk and sustainability, supported by comprehensive but accessible information and disclosures and qualified advice, if requested, without compromising on the standard of investor protection enshrined in relevant EU and national legislation, especially the Markets in Financial Instruments Directive (MiFID).

2.5.4 The EESC agrees that channelling private savings towards long-term and sustainable investments should be a key goal of the SIU agenda. For this purpose, the EESC considers that the expansion and strengthening of collectively agreed occupational pension schemes (Pillar 2), with a minimum contribution by the employer, supervised by a public entity implementing binding and sustainable investment guidelines, could be a way forward, provided it is done in a way that complements public pension systems and without undermining them.

<sup>11</sup> Mario Draghi, [The future of European competitiveness \(Draghi report\)](#).

2.5.5 At the same time, the EESC underlines that pension policy has first and foremost the social policy objective of ensuring the best possible provision of social security for workers in old age. Public pension schemes are the best way to fulfil this socio-political mandate. Well-established systems in Member States must not be put under pressure. Likewise, new initiatives in the context of the SIU must not pressure Member States into boosting savings rates through cuts in social security and services of general interest or by integrating capital market instruments into those systems.

2.5.6 The EESC is of the view that complementary private pension plans (Pillar 3) should be fully portable between Member States. The EESC regrets that the Pan-European Pension Product (PEPP) has only found limited acceptance, and calls upon the Commission to draw on the proposals made by the EIOPA. However, the EESC acknowledges that reviving the PEPP, a product targeting a narrow range of EU citizens, mainly the expat population, is unlikely to be a scalable solution.

## 2.6 Promoting supervisory convergence and strengthening the role of the ESAs

2.6.1 Another key issue is the fragmentation of the supervisory architecture of EU capital markets. The EESC recognises and appreciates the vital role of national competent authorities in the current framework. At the same time, differences in Member State regulatory frameworks and supervisory practices are a major source of regulatory arbitrage and friction that affects cross-border investment in the single market, enables ‘regulatory shopping’ by incoming non-EU firms or new players, and diminishes trust in financial products.

2.6.2 The EESC would welcome detailed proposals to strengthen the role of the ESAs in ensuring supervisory convergence. The need for enhanced powers in harmonisation and supervision should be considered. This process may require changes to the existing regulatory framework to i) reduce inconsistencies in the implementation and application of common regulatory frameworks across the Member States, and ii) review the ESAs’ governance structures and decision-making processes, including increasing enforcement powers.

2.6.3 The EESC would also welcome detailed proposals as regards direct supervision, by ESMA, of market infrastructure operators with significant cross-border activities, such as central securities depositories and central counterparties. The EESC recommends a phased approach, as we consider that the ESMA is not currently fit to absorb the direct supervision of a large number of financial players. In parallel, reforms in ESMA governance and its relationship with national competent authorities should be undertaken in order to prepare a potential further step in supervisory integration when conditions are met.

2.6.4 The complexity of a multi-layered regulatory and supervisory architecture is reflected in overlaps and redundancies, which increase compliance costs for financial institutions, e.g. by duplicating reporting requirements and information requests. The EESC encourages initiatives by the Commission and the ESAs to streamline reporting and disclosure processes in accordance with the ‘once-only’ principle, the centralisation of supervisory information and comprehensive data-sharing arrangements between the ESAs and national competent authorities and the Single Supervisory Mechanism.

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## 2.7 Improve financial regulation efficiency without compromising financial stability

- 2.7.1 After ten years, the Banking Union remains incomplete. The current fragmentation along national borders hampers businesses, making capital and liquidity scarce and costly and reducing private sector risk sharing. The Single Supervisory Mechanism and the Single Resolution Mechanism should be clearly empowered to supervise holistically the banks under their scope, with less discretion given to host supervisors.
- 2.7.2 Financial stability requires a clear, predictable and proportionate regulatory framework.
- 2.7.3 The EESC deems that the creation of a common European deposit insurance scheme (EDIS) would offer EU citizens equal access to their deposits in the event of failure. As a point of departure, national deposit guarantee schemes (DGS) should be harmonised and fully funded, which is not currently the case. The EESC notes that the realisation and stable functioning of an EDIS is intrinsically connected with the completion of the SRM. Major progress has been accomplished in the last few years in building the buffer of bail-inable debt, as confirmed by the EBA in its latest dashboard on the Minimum Requirement for Own Funds and Eligible Liabilities (MREL)<sup>12</sup>. However, some aspects of the resolution framework are still pending, notably the alignment of national resolution and insolvency procedures, full ratification of the ESM Treaty providing for a ‘backstop’ to the SRF, as well as the issue of liquidity in resolution, usually provided in other jurisdictions by their central banks.
- 2.7.4 Insurers and pension funds play an essential role in the EU’s financial system. Unlike other institutional investors, however, their mandates are much broader and involve protecting policyholders and pension savers beyond financial risk. These mandates require an approach towards risk-taking that is not determined solely by financial returns. That said, the EESC cautiously welcomes the Commission proposal to specify the eligibility criteria for the favourable prudential treatment of long-term investments in equity in a Solvency II delegated act.
- 2.7.5 The development of ELTIF 2.0 should be a step in the right direction towards fostering investment in long-term private equity. The take-off of this revised regulation should be monitored closely to ensure any unintended consequences are addressed.
- 2.7.6 It is also important to consider, with regard to capital markets, that a number of drivers are moving liquidity out of the EU capital markets. Authorities should closely monitor the quality and availability of liquidity in EU shares, to make sure that any future development of the regulatory framework is based on a deep understanding of market mechanisms.
- 2.7.7 The EESC believes that further improving the functioning of the securitisation market could broaden investment opportunities for investors and expand access to credit for households and businesses. Securitisation could help to advance the CMU. Efforts to stimulate securitisation in the EU should concentrate on producing demonstrable benefits in terms of additional funding

<sup>12</sup>EBA, [EU banks continue to meet their MREL, still 21 banks in their transition period report a shortfall](#), 27 November 2024.

for the real economy. Securitisation should play a complementary role to other debt capital instruments, such as covered bonds, by providing refinancing options for certain asset categories, as well as a risk management tool.

2.7.8 Some Member States are considering a voluntary 28th regime to address fragmentation<sup>13</sup>. The future Commission proposal is likely to encompass several areas of law, including company law, enforcement law, insolvency law, financial market law, tax law and labour law. While the EESC does not oppose the concept of such a 28th regime in some areas, such as capital markets, it strongly opposes the inclusion of labour law provisions that would undermine workers' protections and the EU's social *acquis*, with the risk of circumventing national law and the autonomy of the social partners.

Brussels, 30 April 2025.

*The President of the European Economic and Social Committee*  
Oliver RÖPKE

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<sup>13</sup> Real Instituto Elcano, [The Spanish proposal for a European Competitiveness Laboratory](#), October 2024.  
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