

Is the EU on track in terms of innovation and investment?

An interim review of the Draghi agenda

September 2026

- The Draghi report of September 2024 placed Europe's productivity problems at the heart of the debate on competitiveness. Two years after this diagnosis, the time has come to review the first results. Is progress already visible in the two key drivers of productivity and growth, innovation and investment?
- The available data does not yet show a broad turnaround in productivity. The productivity gap described in the Draghi report remains, with labour productivity and total factor productivity on a lower growth path in the EU than in the United States.
- Innovation activity in Europe is picking up pace primarily in the application of new technologies but not in terms of its structural dynamics. The application of artificial intelligence, cloud services and data analyses is clearly on the increase. The data available so far does not indicate any wider progress in the venture capital financing, commercialisation and scale-up of innovative companies although the EU's recently introduced Startup and Scaleup Strategy and new financing instruments may inject positive impetus here going forward.
- Regarding investment activity, the gap between required levels and actual momentum remains large. Despite rising public investment, the EU's investment ratio has barely changed since the publication of the Draghi report. There is no evidence yet of the broad ramp-up of private investment needed to meet needs in digitalisation, decarbonisation, resilience and defence.
- Since the Draghi report, new approaches to finance innovative companies, mobilise private capital and support strategic technologies have been initiated at EU level. The member states are supporting these efforts with national investment schemes, tax incentives and innovation policy measures, many of which are still in implementation.
- Given this backdrop, the parameters for innovation and investment are still in need of tangible improvement. Crucial factors are the mobilisation of private investment, progress in internal market deepening and capital market integration and better framework conditions for the commercialisation and scale-up of innovations.

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Introduction: Starting point, focus and structure

The Draghi report as the starting point of this review

The Draghi report of September 2024 on the future of European competitiveness clearly identified the weaknesses of the European growth model. Since the early 2000s, the divergence between the economic performance of the EU and the United States has increased. Draghi highlights that the gap in real GDP between the two regions has grown from just over 15 percent in 2002 to around 30 percent in 2023. Adjusted for purchasing power, a gap of twelve percent has emerged. The gap in per capita income also remains substantial. The Draghi report estimates that around 70 percent of the gap in per capita income is due to the EU's lower productivity, essentially making efforts to increase competitiveness a question of sustainably increasing productivity in the EU (Draghi 2024).

The EU's weakness in productivity needs to be regarded in context. Several former growth drivers have lost steam, including dynamic global trade, low-price energy, demographic expansion and a security policy based on the peace dividend. At the same time, Europe is in a position of needing to finance higher investments to accelerate digitalisation, decarbonisation and resilience, and build up strategic autonomy and defence. Draghi initially put the price tag on the additional annual investment needed at between 750 and 800 billion euros. More recent ECB estimates, which particularly factor in the higher defence spending pledges following the most recent NATO decisions, put the volume required for strategic tasks at just under 1.2 trillion euros per year. The ECB estimates the share of public investment of this sum at around 500 billion euros per year and the share of private investment needed at around 700 billion euros, with increased defence tasks substantially expanding the amount of public investment required (ECB 2025).

The European competitiveness agenda has been accorded more political urgency since the Draghi report. At EU level, some strategic parameters have been adjusted, legislative proposals drawn up and first financing and implementation approaches initiated, in areas such as industrial transformation, regulatory simplification, innovation and start-up financing, AI and digital infrastructure, capital market integration, defence and the EU budget. However, the process from setting the political parameters to ensuring binding implementation and seeing measurable economic effects has not yet been completed. Many initiatives are still in the phase of strategic development, legislative proposal or early implementation. Many of the central levers are also dependent on decisions at the member state level, such as in public investment, permitting procedures, energy infrastructure, tax and government support conditions and education and skilled labour policy. It therefore remains to be seen whether the new political drive to improve competitiveness will lead to substantial changes in innovation, investment and productivity levels or whether it will initially remain primarily a reorientation of the economic policy agenda.

Around two years on from the Draghi report, it is time to move on from diagnosing the situation to investigating whether the recommended competitiveness agenda is already being implemented and having a measurable impact on the economy. The following investigation is focused on innovation and productive investment as two key pillars of the European productivity and competitiveness agenda. We examine whether signs of progress are already visible in these two areas and set out what contribution political measures are making at EU and member state level and to what extent the developments so far indicate a sustainable strengthening of the European growth potential.

Innovation and investment as key levers of competitiveness

This paper focuses on innovation and productive investment because they are two key levers in tackling Europe's productivity problem in the framework of a broader competitiveness agenda. The Draghi report interprets Europe's weak productivity largely as being a result of its lower application of digital technologies, more static industrial structure, difficulties in the commercialisation of research and the stunted scale-up of innovative companies (Draghi 2024). The ECB also points to several structural factors behind the productivity gap between the EU and the United States, including lower capital deepening since the financial crisis, a stronger specialisation of European frontier companies on more mature mid-tech sectors, a slower diffusion of technologies and lower private investment, particularly in research, digital innovation and digital application (de Guindos 2024).

Innovation here is not measured solely by looking at research expenditure and patent registrations but by the extent to which new findings generate economic benefits. Draghi sees a central weakness in Europe not in a lack of research but in the inadequate extent of innovation commercialisation and scale-up. Europe has many talented researchers and entrepreneurs and a sizeable base of patents but often fails at the next level, which is the translation of innovation into marketable applications and high-growth companies (Draghi 2024). The ECB also specifies decreasing rates of company foundations, winner-takes-all dynamics in new technologies, a slower diffusion of technologies across the breadth of the economy, and regulatory and institutional complexity as factors curbing productivity growth, corporate momentum and scale-up in Europe (de Guindos 2024).

Investments in productive capacities are the second focus of this review. Technological innovation only has a broad impact on productivity and growth if it is applied, scaled and anchored in the capital stock of companies. Investments in technological innovation includes investments in digital technologies and AI applications, equipment, software, data, immaterial assets, infrastructure, energy and European public goods. Draghi points out that European investment levels need to be lifted considerably to finance its digitalisation, decarbonisation and defence capabilities. In its updated review, the ECB emphasises that the financing of the green, digital and defence-related transformation will require a multipronged strategy that combines private and public funds and national and European instruments. Even under optimistic assumptions, there is still a gap in public financing of over 100 billion euros per year (Draghi 2024; ECB 2025).

The review focuses on innovation and investment but does not ignore other components of the competitiveness agenda. Internal market integration, the capital market union, energy prices, permitting procedures, regulation, skilled labour policy and coordination between the EU and member states are all key framework conditions that can encourage innovation and investment. They are included in the following analysis where they are particularly relevant to Europe's innovation capability and investment environment but not as individual policy areas.

European trends, national differences and sectoral dynamics

This interim review evaluates available indicators and current analyses to investigate whether any visible progress has been achieved in innovation and investment levels since the Draghi report. The review is not an analysis of the impact of individual measures but rather an empirically based evaluation of trends, implementation steps and remaining gaps.

The review starts with taking stock of economic indicators to evaluate the development of growth and productivity in the EU and in selected major member states. This is followed by a closer look at the

innovation and investment dynamics individually as the two areas have different indicators, momentum and political levers. Where the available data allows, the review also considers sectoral differences, such as between established industries, digital activities and other technology-intensive industries.

The review also evaluates political measures at EU and member state level. The objective of the review is not a complete evaluation of the whole competitiveness agenda but a realistic stock-take of the current situation to reveal any indications of progress made in innovation and investment, aspects where the figures remain unclear and in what areas it is too early to see any solid impact on productivity and growth potential.

Productivity and growth as the starting point

No turnaround in productivity at EU level

The economic indicators for an interim review of the European competitiveness agenda remain subdued. While the European economy expanded moderately in 2025, growing 1.5 percent in the EU and 1.4 percent in the euro area, we only expect real growth of around one percent in the EU and 0.8 percent in the euro area for 2026. On an international comparison, Europe is therefore still trailing behind its major competitors. The United States is forecast to expand two percent in 2026 and China 4.6 percent. The EU's growth prospects are also muted according to the European Commission's estimate of EU's potential growth of around 1.3 percent (BDI 2026, European Commission 2026a).

The European Commission's recent Annual Single Market and Competitiveness Report 2026 supplements these macroeconomic indicators with a broader stock-take of European competitiveness. Of the 29 key indicators measured, only six showed clear improvement while six had deteriorated and 15 remained largely unchanged while two have only one observation. At the same time, this stock-take only provides a snapshot. Many of the indicators are based on figures from 2024 or early 2025 and can therefore not be used to conclusively evaluate the agenda initiated since the Draghi report. The report nonetheless reveals that the available indicators do not yet show a broad improvement. This is the case for several areas that are relevant to the further analysis including research and development expenditure, private investment, venture capital financing and productivity. Productivity is a particularly relevant indicator of growth and competitiveness because it shows whether innovation, capital formation and technological application have already translated into higher economic performance or not.

The gap with the United States is most evident in terms of productivity levels. The European Commission (2026b) put the EU's labour productivity in GDP per hour worked at purchasing power parity at 78.5 percent of the US level in 2024. This figure shows the scale of the current gap which the EU's competitiveness agenda aims to address.

Of primary importance to our interim review is whether the latest figures show a pick-up in productivity growth. According to Conference Board figures, labour productivity per hour worked in the EU-27 is only estimated to have increased 0.4 percent in 2025 following a rise of also 0.4 percent in 2024. In contrast, the Conference Board estimates that labour productivity per hour worked in the United States increased 1.6 percent in 2025 after rising 1.8 percent in 2024. The momentum in European productivity was therefore considerably weaker than in the United States, also in 2025 (Conference Board 2025, Table 2).

The trend in total factor productivity does not indicate a broad improvement either. This figure captures the growth generated not by a greater deployment of labour or capital but by efficiency gains in the use of the production factors deployed. According to calculations of the Conference Board, total factor productivity in the EU-27 decreased by 0.4 percent in 2024 with a further decrease of 0.3 percent estimated for 2025. In the United States, it increased by 1.1 percent in 2024 and is estimated to have increased a further 0.6 percent in 2025. The latest figures therefore show a clear divergence in the development of overall economic efficiency as well as in labour productivity (Conference Board 2025, Table 13).

Overall, the available figures do not yet point towards a turnaround in productivity in the EU. The trend in both labour productivity and total factor productivity is weaker in Europe than in the United States. The moderate growth path has therefore not yet generated a sustainable strengthening of Europe's growth potential.

Underneath the overall European picture, developments across the major member states are divergent. In the following subsections, we compare the different roles of Germany, France, Italy and Spain in the current growth and productivity trends in Europe.

Divergent trends in the major member states

The four major member states are displaying divergence particularly in their current growth trends. In 2025, Spain grew 2.8 percent, considerably outpacing France, which grew 0.8 percent and Italy at 0.5 percent and Germany at 0.2 percent. Spain is expected to remain the most dynamic of the four major economies in the EU in 2026 as well with growth set to be around two percent. We expect Germany to grow one percent, France 0.5 percent and Italy 0.3 percent (European Commission 2026a; BDI 2026a, b).

The picture in terms of labour productivity is less clear than with growth. The figures of the Conference board fluctuate considerably at the national level. The figures for 2025 are furthermore still based on estimates. This is particularly apparent in the case of Spain. After growth of 0.6 percent in 2023 and 1.2 percent in 2024 the Conference Board expects a decrease in labour productivity per hour worked of 0.7 percent in 2025. For Germany and France, labour productivity in 2024 and 2025 was largely around zero, while it decreased in both years in Italy. In sum, the latest figures fail to show a broad and solid improvement in the productivity dynamics across the four major EU economies or any signs of catching up with the United States (Conference Board 2025, Table 6).

Total factor productivity shows a similar pattern. In Germany, it declined by 0.9 percent in 2024, and the Conference Board expects a further decrease of 0.6 percent in 2025. In France, it decreased an estimated 0.4 and 0.7 percent respectively and, in Italy, 1.5 and 1.2 percent. Spain recorded an increase of one percent in 2024 but is estimated to have dropped 0.6 percent in 2025. These figures show that the weak trend in labour productivity in Germany, France and Italy was also accompanied by a downtrend in total factor productivity. Spain bucked the overall negative trend in 2024 by moving upwards but is estimated to have slowed down again in 2025, according to Conference Board estimates (Conference Board 2025, Table 14). Figure 1 shows the national figures compared to the EU-27 and the United States.

Figure 1: Total factor productivity in the EU, the four largest member states and the United States
Change over previous year in percent, 2024 and 2025

Country/Region	TFP 2024	TFP 2025, estimate
EU-27	-0.4 %	-0.3 %
Germany	-0.9 %	-0.6 %
France	-0.4 %	-0.7 %
Italy	-1.5 %	-1.2 %
Spain	1.0 %	-0.6 %
USA	1.1 %	0.6 %

Source: The Conference Board (2025), Tables 13 and 14



The somewhat more favourable trend in Spain should be viewed against the backdrop of robust growth, driven primarily by domestic demand and rising employment. Immigration was a major contributor to the expansion of the available skilled labour force and rising employment (IMF 2026a, European Commission 2026c). Investments also recovered. Gross fixed capital formation was back to its pre-pandemic level in 2023 already, fuelled by the implementation of Spain's National Recovery and Resilience Plan (European Commission 2026c). Whether or not the more positive trends translate into higher productivity gains in the long term remains to be seen. The IMF regards Spain's productivity growth as more positive than before the pandemic but underlines that the pick-up is still relatively recent. The country also continues to have clear deficits in corporate investment in research and development and in the scaling up of young growth companies (IMF 2026a, 2025).

There is no indication of a comparable pick-up in Germany, France or Italy so far. In Germany, the weak growth in productivity is accompanied by a more sustained weakness in industry, with weak exports until early 2026 and increasing competitive pressure in key export industries (German Council of Economic Experts 2026, Deutsche Bundesbank 2026). France does not show any greater momentum in productivity either. Although investments rose slightly at last count, the continuing high economic and political uncertainty is standing in the way of a broader recovery. At the same time, the tense budgetary situation and necessary consolidation severely restrict the economic policy space available (European Commission 2026a, d). In Italy, economic activity has been supported by investments, including funds from the EU's Recovery and Resilience Facility. The European Commission (2025e) nonetheless emphasises longer term factors curbing productivity here, such as the country's corporate landscape consisting primarily of smaller sized companies, its specialisation on traditional and lower value-added industries, and low levels of investment in research and innovation.

While a look at the individual countries differentiates the EU-wide picture it does not fundamentally change it. Spain shows some first signs of positive developments, but it remains to be seen whether these trends can be sustained. Germany, France and Italy do not yet show any comparable developments. These national examples also show that higher investments do not automatically or swiftly translate into higher overall economic productivity gains. Nor can this really be expected to take

place so quickly. The translation of public investment impetus into productivity is generally only anticipated in the medium term, while a broad pick-up in private investment levels has not been possible until now because of the economic and structural reasons outlined above. Only if exports continue to recover and are potentially accompanied by broader adjustments in foreign economic policy to cushion the second China shock, can upward forces gain the upper hand again in the euro area in the next two years to strengthen productivity development, which is closely coupled with investments in plants and equipment. A crucial determinant here will be whether investments are related to technological innovation, a broader application of innovations and the growth of productive companies.

Almost two years after the Draghi report, there are no signs yet of a broader turnaround in productivity. A solid evaluation will only be possible when longer-term statistics become available and with an ongoing analysis of the implementation phase. Some of the current productivity figures are still based on estimates. The following section therefore investigates whether there have been developments in innovation and productive investments which could trigger stronger productivity gains down the line.

Development of innovation since the Draghi Report

The innovation gap as a starting point

The Draghi Report identifies the innovation gap with the US – and, increasingly, with China as well – as one of the key challenges to European competitiveness. Europe must focus its efforts much more strongly on closing this innovation gap, particularly in the field of advanced technologies. Draghi also purports that the digital revolution has largely passed Europe by and that the EU is in a weak position in several of the technologies that are set to be decisive for growth in future. At the time of the report's publication, only four of the 50 largest technology companies in the world were from Europe. For these reasons, the Draghi report identifies innovation as a central lever with which to strengthen Europe's competitiveness (Draghi 2024).

According to Draghi's analysis, Europe's weakness in this regard lies less in the generation of knowledge than in its economic application. The report emphasises that Europe has no shortage of ideas or ambitions and a wealth of talented researchers and entrepreneurs. And yet, scientific findings and technological innovations in the EU are not translated into economic success as often or to the same extent as in the United States. The key challenge is therefore to successfully commercialise innovations and turn new technologies into marketable applications, companies and business models. The innovation gap is therefore not diagnosed primarily as a research problem but as a challenge along the entire innovation chain from the generation of knowledge to its application on the market (Draghi 2024).

This opinion is also supported by the Heitor report. This report underlines the importance of research and innovation for Europe's long-term competitiveness and emphasises that scientific excellence alone does not suffice to get ahead in international competition. Research, technological development, innovation and commercial application are rather seen as interconnected components of a continuous process of innovation. Competitiveness is thus crucially dependent on how well new findings move along this chain of innovation into economic value added (Heitor 2025).

The analyses by Draghi and Heitor suggest that Europe's capacity for innovation should be examined across the entire innovation chain. This interim review of Europe's competitiveness agenda therefore investigates whether any visible progress has been achieved here since the publication of the Draghi

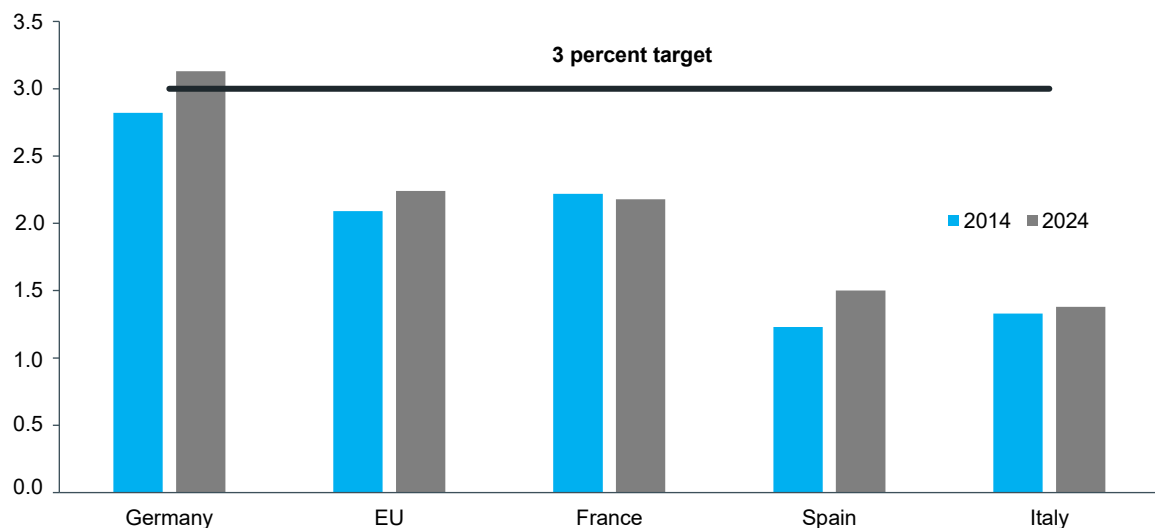
report. The following section begins with investigating the resources available to innovation and then the progress made in innovation output, scale-up and technology application.

Limited progress in innovation resources

The available figures show, above all, that research investment has remained largely constant. The R&D intensity of the EU in 2024 was at around 2.2 percent of GDP, almost the same as in the previous years. It has remained well below the European target of increasing R&D expenditure to three percent of GDP by 2030. The EU's R&D intensity only increased 0.1 percentage points over the whole period from 2014 to 2024 (Eurostat 2025a). In the European Commission's Annual Single Market and Competitiveness Report 2026, R&D intensity is not among the competitiveness indicators that have followed a definite positive trend over the last few years. The figures available so far show that Europe is still in much the same position as it was when it started with the implementation of the competitiveness agenda and does not exhibit any clear indication that the intensity of research has picked up speed.

Furthermore, the EU aggregate figures do not reveal the substantial differences between the major member states. While Germany remains well above the EU target level, with an R&D intensity of 3.1 percent of GDP, France, Spain and Italy above all have much lower levels. Figure 2 ranks the position of the four major economies compared to the EU average and the European target of three percent.

Figure 2: R&D intensity* in the EU and the four largest member states, 2014 and 2024



*R&D intensity in percent of GDP

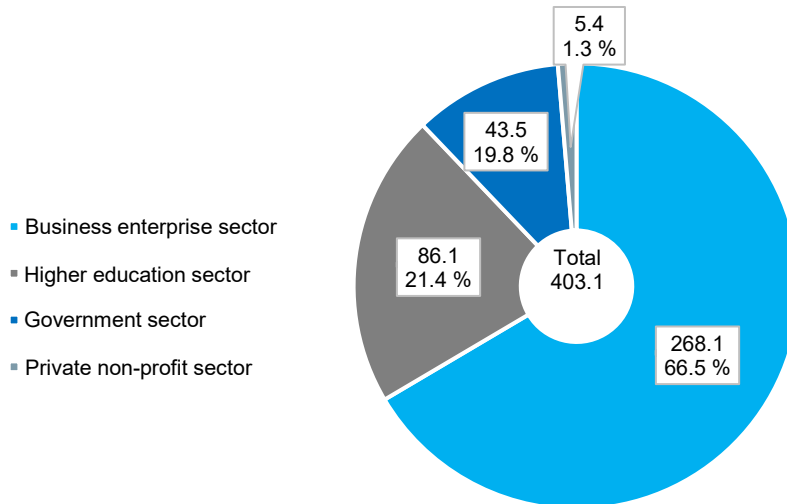
Source: Eurostat (2025a)

A look at the source of financing of research and development expenditure reveals the key role companies play in the European system of innovation. In 2024, 66.5 percent of total R&D expenditure in the EU was financed by companies, while universities funded 21.4 percent and government institutions 10.8 percent (Eurostat 2025a; see Figure 3). The further development of Europe's

innovation capabilities therefore depends to a large extent on corporate research and investment decisions.

Figure 3: Breakdown of R&D expenditure in the EU, 2024

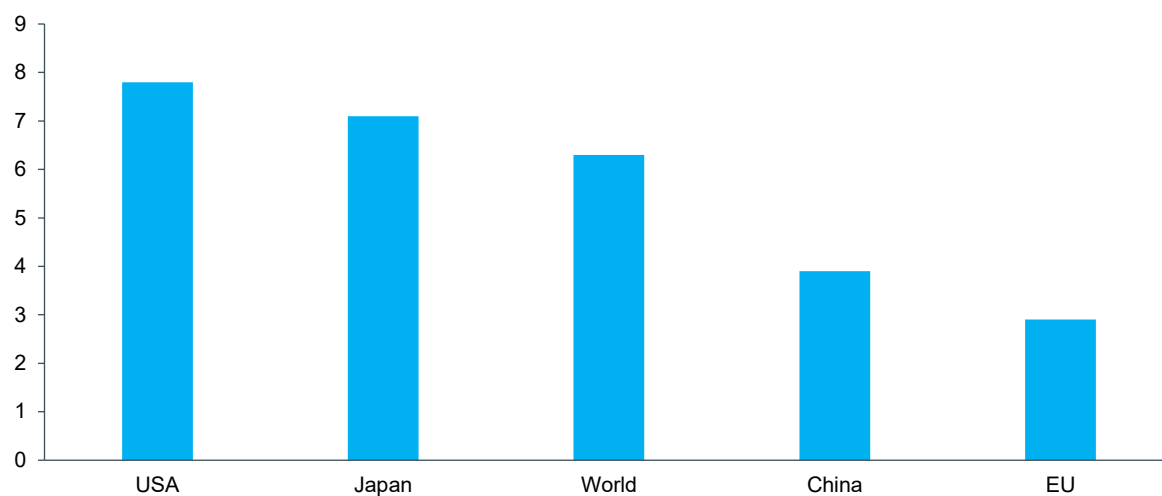
R&D spending by sector, in billion euros and as a proportion of total R&D expenditure



Source: Eurostat (2025a)



This makes it all the more worrying that the research investments of large companies have only shown comparatively subdued upward movement over the last few years. According to the Industrial R&D Investment Scoreboard 2025, the globally largest European companies only increased their R&D expenditure by 2.9 percent in nominal terms in 2024, displaying much less momentum than in the United States, where companies increased their expenditure by 7.8 percent, and less than in China (+3.9 percent) (see Figure 4). This was also the lowest annual growth recorded by the EU in corporate R&D expenditure since the end of the pandemic. A breakdown of research investment according to sector is particularly informative. The strongest momentum was recorded by energy (+19.8 percent), health (+13.0 percent) and aviation and space travel and defence (+4.8 percent). Research investments thus increased especially in sectors that have become more strategically significant in the drive for decarbonisation, resilience and security. The growth of research investment in the automotive sector, in contrast, was much lower at 0.8 percent. Parts of the digital economy also displayed a lower momentum than the sectors with the highest growth (European Commission 2025a)

Figure 4: Growth in R&D expenditure* of large companies by region, 2024

*change over previous year, nominal, in percent

Sources: European Commission / Joint Research Centre (JRC), The 2025 EU Industrial R&D Investment Scoreboard



Research and investment efforts only form one part of the basis for innovation. Other key factors for Europe's capabilities to successfully commercialise and scale-up innovations are skilled workers and adequate financing options. Almost two years after the publication of the Draghi report, the shortage of skilled workers and qualifications is still a restricting factor for Europe's ability to generate and scale up innovations, with almost 80 percent of companies specifying this as a barrier for investment and growth, according to the European Commission (2026b). While the proportion of the population with basic digital competencies has risen from around 56 percent to around 60 percent, it remains still well below the EU target of 80 percent by 2030. The availability of highly skilled ICT workers also remains inadequate (European Commission 2026b, 2025b). The available data indicates a gradual improvement in some areas but does not reveal any visible fundamental strengthening of labour resources for innovation.

Visible progress is also limited in the financing of innovative companies. The mobilisation of venture and growth capital is one of the central concerns of the European competitiveness agenda. The EU's venture capital investments only amounted to 0.06 percent of GDP in both 2023 and 2024 (European Commission 2026). As shown in Figure 5, venture capital financing has not just remained on a low level but is also still well below the volume seen in the United States and China. More recent market data shows a slight increase in venture capital financing in 2025 with the volume of investment estimated by Pitchbook (2025) at around 66 billion euros in 2025, roughly 6.5 percent higher than in the previous year. Investment in artificial intelligence accounts for a record 39.1 percent share of these investments. The figures available so far therefore indicate a pick-up in momentum in individual market segments rather than a broadly-based improvement of financing conditions for innovative high-growth companies in Europe.

On the whole, innovation resources have therefore remained largely steady and have not been kick-started into a higher gear yet. The research base remains stable with challenges persisting in the availability of skilled workers and the financing of innovation. The limited data available at this point does not show any indication of a broadly based pick-up in innovation.

Figure 5: Venture capital investment* in international comparison, 2024

Region	VC-Investment
EU	0,06
China	~0,24
USA	~0,60

*Venture capital investment in percent of GDP

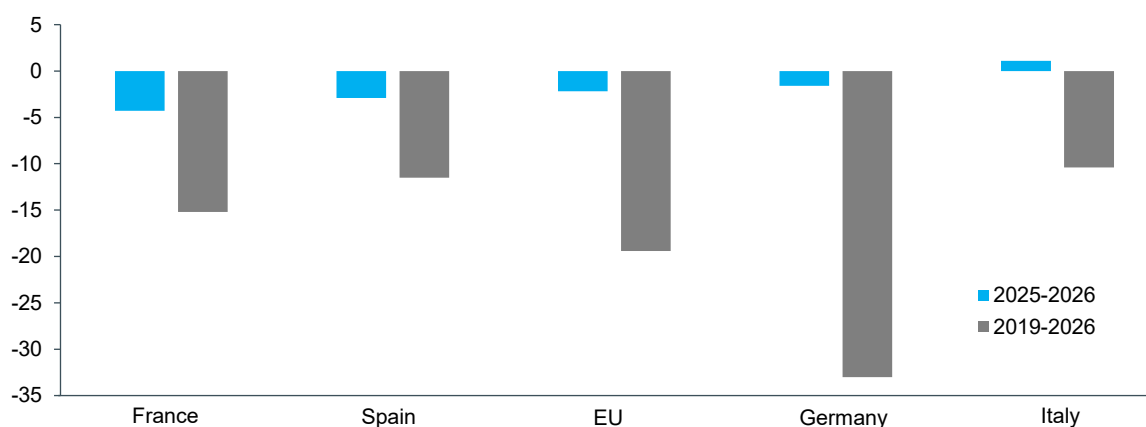
Source: European Commission (2026b)



Mixed picture in innovation output and scale-up

Innovation resources form the foundation for innovation. In terms of competitiveness, however, measurable results are what matters. The following section investigates whether measurable progress has been achieved in Europe in innovation output, scale-up and technology application since the publication of the Draghi report.

At first glance, the EU's output of innovation does not show any evidence of gathering momentum. One of the indicators used by the European Commission to measure innovation output is intellectual assets, defined as the international registration of patents, trademarks and designs. According to the European Innovation Scoreboard 2026, Europe's performance deteriorated by 2.2 percentage points compared to the previous year, even though eleven member states recorded improvements. In a longer-term comparison, the performance of the EU has declined by as much as 19.4 percentage points since 2019. The four major member states have not recorded notable improvements in this indicator either. The volume of intellectual assets deteriorated compared to the previous year by 4.3 percentage points in France, by 2.9 percentage points in Spain and by 1.6 in Germany. Only Italy recorded a slim increase of 1.1 percentage points.

Figure 6: Development of intellectual assets* in the EU and the four largest member states

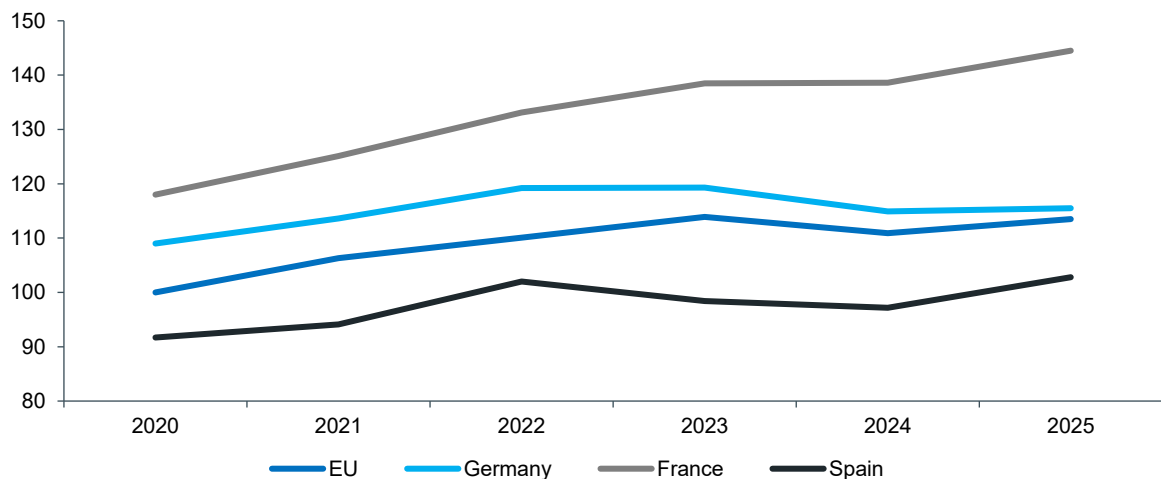
*change over 2025 and over 2019 in percentage points

Source: European Commission (2026e)



Looking beyond the generation of knowledge itself, the question is how successfully innovations are turned into economic value added and scale-up. The European Commission's European Startup and Scaleup Index (SSI) comprises 36 indicators from the fields of foundation, growth, financing and innovation-related parameters to produce a comprehensive evaluation of the development of the European start-up and scale-up ecosystems. The SSI for the EU rose from 110.9 points in 2024 to 113.5 points in 2025, which indicates a slight improvement for Europe overall but not a sweeping pick-up in momentum. The index had already been on a similar level in 2023 at 113.9 points. There are also differences between the individual major member states. France has become one of Europe's frontrunners and was able to increase its SSI score by 5.9 points compared to the previous year. Germany is also one of the high-performing countries but only registered an increase of 0.6 points at last count. Spain (+5.6 points) and Italy (+4.4 points) from the group of catching-up countries both tangibly improved on their previous year's score. Overall, however, the figures indicate a gradual improvement in individual member states rather than a broad and definite acceleration in Europe's start-up and scale-up momentum.

Figure 7: Development of the European Startup and Scaleup Index* in the EU and the four largest member states



*Index value, EU average 2020 = 100

Note: The SSI is based on 36 indicators on start-ups, scale-ups and financing. All scores are indexed to average EU performance in 2020 (=100). Scores above 100 indicate a higher performance compared to the reference value.

Source: European Commission (2026f)



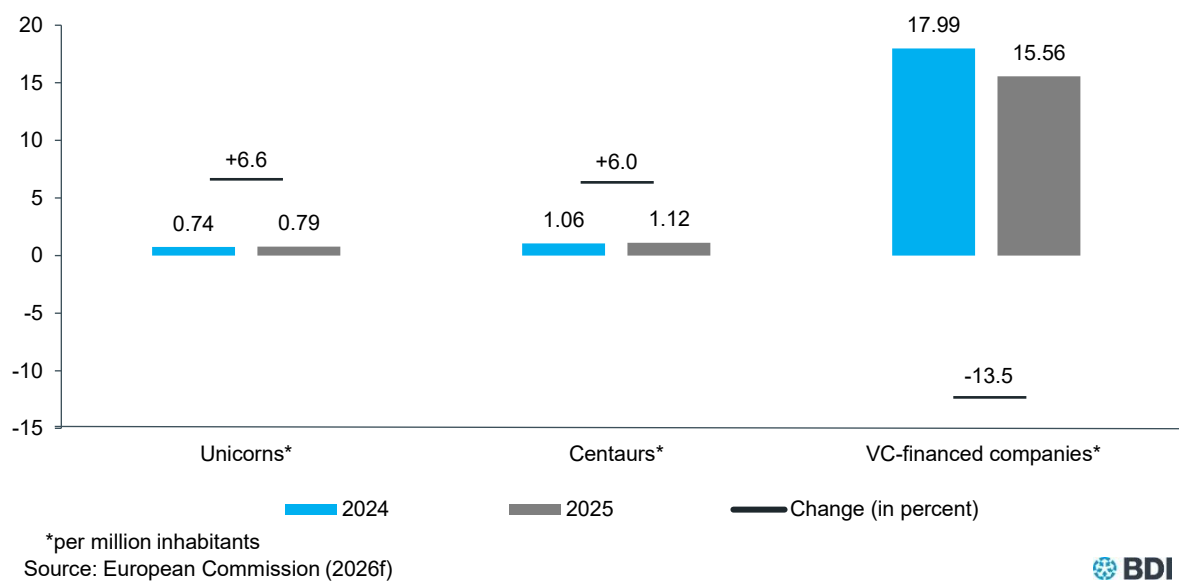
The aggregate index scores do not show the divergent developments taking place amongst Europe's individual start-up and scale-up ecosystems. The number of unicorns, which are non-listed companies valued at more than one billion US dollars, increased by around seven percent in 2025, compared to the previous year. The number of centaurs, which are private companies valued at over 100 million euros, increased by about six percent (European Commission 2026f). The trend in unicorn and centaur figures indicates a positive momentum in the upper segment of Europe's start-up and scale-up ecosystem. It should be remembered, however, that the index is based on company valuations which are affected by changes in financing conditions and valuation levels as well as operational scale-up.

The gap to international competitors remains substantial. In 2025, the United States had around 5.2 unicorns and 3.2 centaurs per million inhabitants compared to 0.8 and 1.1 percent respectively in the EU (European Commission 2026f). Here, too, the available figures indicate progress in individual

growth segments rather than an underlying improvement of Europe's competitive position in the scale-up of innovative companies.

Developments in the broader ecosystem indicators do not yet show a clear picture. The number of venture-capital financed companies per million of inhabitants decreased by around 14 percent compared to the previous year (European Commission 2026f). This indicates that the positive developments specified above may only currently apply to a specific part of the ecosystem. A possible explanation could be the stronger focus adopted most recently by venture capital providers on a small number of particularly capital-intensive fields of technology such as AI.

Figure 8: Selected indicators on the scale-up of innovative companies in the EU 2024 / 2025

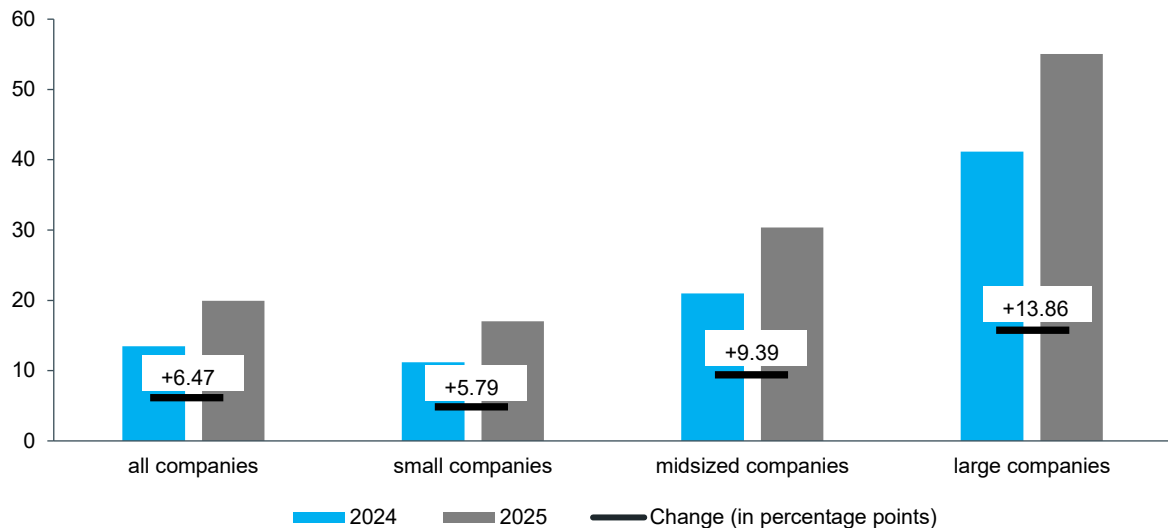


The high growth of individual innovative companies is not enough, in and of itself, to improve overall economic productivity. Another crucial factor is the extent to which new technologies are applied across the breadth of the economy and integrated into operational business processes. The latest figures show clear progress in the application of key digital technologies. The proportion of EU companies that use AI, for example, rose from 13.5 percent in 2024 to 20 percent in 2025 (Eurostat 2025b). The use of cloud services and data analyses also increased, going up from 38.9 and 33.2 percent respectively in 2023 to 46.7 and 39.9 percent respectively in 2025. Despite this most recent increase in the application of selected digital technologies, the EU is still not on course to meet its targets of the digital decade, which is to bring the proportion of companies using cloud services, data analyses and AI to at least 75 percent in each case by 2030. Furthermore, the application of these technologies is rising faster in competing economies, according to figures from the European Commission (European Commission 2026b).

The diffusion of digital technologies also remains uneven across Europe's corporate landscape. This is particularly apparent in the case of AI. The use of AI across all companies increased clearly from 2024 to 2025. Among small companies, the proportion increased from 11.2 to 17 percent, among mid-sized companies from 21 to 30.4 percent and among large companies from 41.2 to 55 percent. Application therefore expanded more among large and mid-sized companies than among small companies. In the same period, the divergence between large and small companies grew from around 30 to 38 percentage points (Eurostat 2025b). The gap between large companies and SMEs also

remained a substantial 36 percentage points in the application of cloud services (European Commission 2026g).

Figure 9: Application of AI technologies in EU companies by company size, 2024 and 2025



*Proportion of companies in percent

Note: The analysis includes companies with at least ten employees. Small companies are those employing 10 to 49, mid-sized companies 50 to 249 and large companies at least 250.

Source: Eurostat (2025b)



The barriers to wider diffusion are not so much in the fundamental availability of technologies but rather in the lack of the prerequisites for their introduction and application in the individual companies. Of those companies that considered the use of AI but decided not to, 71 percent named a lack of specialised knowledge, 53 percent unclear legal consequences and 49 percent concerns regarding data protection as the main reason behind this decision. Other barriers specified were an inadequate availability or quality of the data required and a lack of compatibility with existing systems (Eurostat 2025b). Other barriers observed by the European Commission include limited organisational capacities and insufficient adjustment of business processes and management techniques. Considerable productivity potential is therefore remaining untapped. The Commission estimates that meeting the European digitalisation targets could produce economic gains of up to 1.8 percent of GDP (European Commission 2026b, g).

The barriers set out above relativise the progress measured by the latest figures in the application of digital technologies. A closer look at the application of AI and the divergence measured by the European Commission in the application of cloud services shows that diffusion remains uneven and varies greatly by size, and that the integration of digital technologies into business operations is restricted by the persistently low availability of skilled workers as well as organisational and legal barriers.

Interim conclusion: No indication of a broad ramp-up in innovation

Almost two years after the publication of the Draghi report, first signs of progress are visible along the European chain of innovation in some segments, but these do not add up to a broad ramp-up of innovation. The research base remains stable but has not been visibly strengthened so far. R&D

intensity is stagnating with the latest figures available still showing weaker performance in the EU compared to the United States and China. Key challenges also remain in the field of skilled workers and venture and growth capital. The indicators for patent, trademark and design registrations did not show any signs of speeding up either at last count. Individual fields, particularly AI and defence, have seen improvement in commercialisation and scale-up. The European Startup and Scaleup Index has improved slightly most recently, with the number of high-value high-growth companies increasing. The drop in the number of venture capital financed companies and the substantial gap to the United States nonetheless shows that European scale-up has not yet experienced a broadly based pick-up in momentum.

The application of digital technologies has registered the most substantial progress. The use of AI has accelerated particularly since 2024, with the application of cloud services and data analyses also rising. The diffusion process nonetheless remains imbalanced, with large differences particularly between large and small companies. Corporate surveys and analyses of the European Commission show that reasons for this divergence include insufficient specialised knowledge and organisational, data-related and legal barriers in the introduction and application of digital technologies in operational processes. The most visible progress achieved so far is therefore at the end of the chain of innovation, while upstream challenges in research, financing and scale-up largely remain in place. In addition, the rising application of digital technologies is often based on platforms and applications outside of Europe and therefore does not automatically strengthen European technology providers.

Development of investment since the Draghi report

Investments still need to be much higher

A key takeaway from the Draghi report is that Europe needs to substantially expand its investment activities to realise the digital transformation and decarbonisation and adequately build up its economic resilience and defence capabilities. Draghi calculated the additional investment needed per year as of 2024 at between 750 and 800 billion euros. Estimates are meanwhile much higher. An analysis by the European Central Bank (2025b), which factors in the increased defence requirements particularly since the NATO decisions, puts the additional strategic expenditure needed between 2025 and 2031 at about 1.2 trillion euros per year.

The green transformation still accounts for the largest part of these investments. In addition, there are substantial sums needed for digitalisation, digital infrastructure and defence and security. However, not every euro of additional expenditure automatically increases the aggregate capital stock. Particularly in defence, a considerable proportion of funds are for personnel, operational and maintenance costs which means that the volume of strategic expenditure calculated by the ECB is not the same as the investment needs in the narrower economic sense of the term.

As a rough estimate in our BDI Growth Outlook 2025, we tried to approximately calculate the investment part of the additional expenditure. Assuming that only a part of the additional defence expenditure will classify as gross fixed capital formation, additional investments needed amount to around one trillion euros per year. Depending on the assumptions regarding the actual share of investment and the breakdown between public and private investment, this results in a range of approximately 0.8 to 1.2 trillion euros, or around five to eight percent of EU GDP. The estimate is deliberately indicative and is intended not so much to provide a precise figure as to illustrate the scale of the challenge.

Figure 10: Indicative additional investment needs in the EU per year

	Public	Private	Total
in % of EU GDP	1.5-2.2	3.7-5.4	5.2-7.6
in bn euros	224-336	552-828	776-1164

Sources: own calculations, ECB



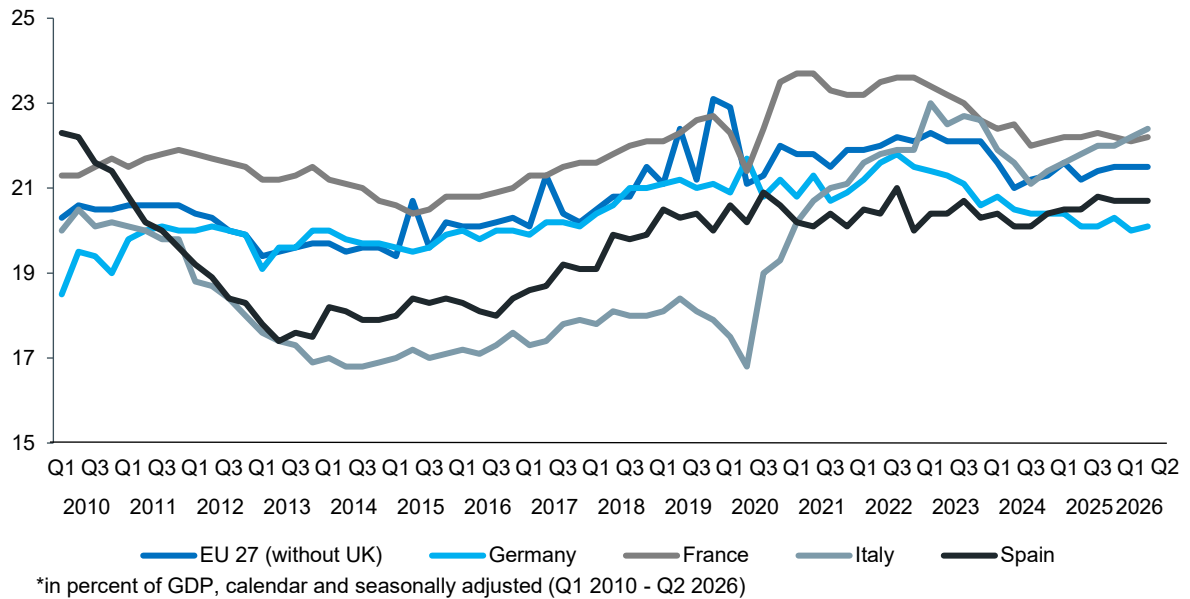
Irrespective of the exact delineation, the sums involved clearly show that the investment requirements of Europe remain enormous. Even though most of this investment volume would have to be financed by private investments, the gap in public financing also remains substantial. Almost two years after the publication of the Draghi report, the estimated financing required has therefore expanded rather than diminished. To evaluate the competitiveness agenda, it is therefore necessary to examine whether public and private investment activity has already increased to meet these higher needs or not.

No broad ramp-up of investment visible

A first look at figures for gross fixed capital formation does not yet show any indications of a broad ramp-up of investment activity in Europe. The trend in gross fixed capital formation as a proportion of EU GDP shows that the investment ratio of the EU at the start of 2026 was at 21.5 percent, which is almost the same level as at the start of 2024. This does not rule out an increase in investment activity in absolute terms. The European Commission (2026a) expects gross fixed capital formation to increase by 2.2 percent in real terms, with real GDP growth of 1.1 percent, indicating that the investment ratio is anticipated to improve slightly in the further course of the year. However, the forecast increase is well below the scale of momentum needed to close the gap in investment quantified by Draghi. While the latest analyses of the Deutsche Bank (2026) point to first signs of an emerging investment cycle in the euro area, with demand for loans, corporate financing and incoming orders all set to rise, it is primarily only early indicators that have picked up so far. The aggregate investment ratio initially provides only a general overview. Investments in plant and equipment and in research and development are particularly relevant for productivity and competitiveness.

At member state level, Germany now has the lowest investment ratio among the four largest EU economies at around 20 percent of GDP. At the start of 2026, the ratio was even slightly below its level at the start of 2024. This is striking given that Germany has meanwhile mobilised considerable additional investment with its Special Fund for Infrastructure and Climate Neutrality and higher defence investments. France invests considerably more, with a ratio of currently over 22 percent of GDP, but this is lower than the ratios of well over 23 percent it registered particularly between 2021 and 2023. Italy has experienced the largest change in this respect, with its investment ratio increasing from around 17 to 18 percent of GDP before the pandemic to currently around 22 percent, putting it on a similar level to France. Investments made under the Recovery and Resilience Facility have certainly played a major part here. Spain's investment ratio has fluctuated between around 20 and 21 percent of GDP for some time now and has recorded slight upward movement most recently without this constituting a clear boost in investment.

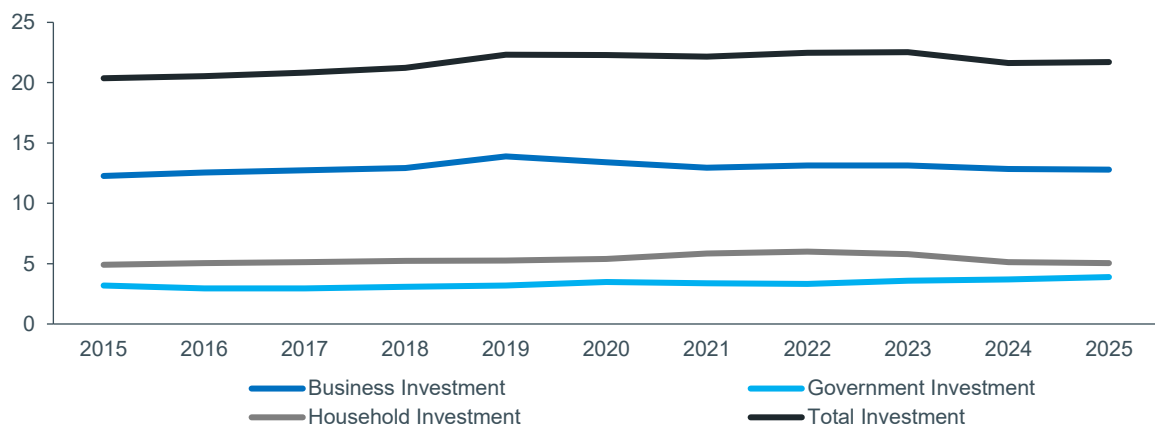
Quarterly change in gross fixed capital formation in selected EU countries



A look at investments according to institutional sector shows that public investment has increased particularly in the last few years. Its share of GDP increased from just under three percent in the mid-2010s to just under 3.9 percent in 2025. The momentum in private investment levels has been considerably more muted. In 2025, corporate investments were at 12.8 percent of GDP and have largely moved sideways over the last few years. Household investments amounted to 5.1 percent of GDP and have lost steam slightly since expanding in the early 2020s.

The increase in the overall investment ratio has therefore been fuelled primarily by higher public investments. Corporate investments, which play a central role for the mobilisation of the additional investment requirements quantified by Draghi, have so far failed to display comparable upward momentum.

Share of investment* by institutional sector in the EU



Source: Macrobond

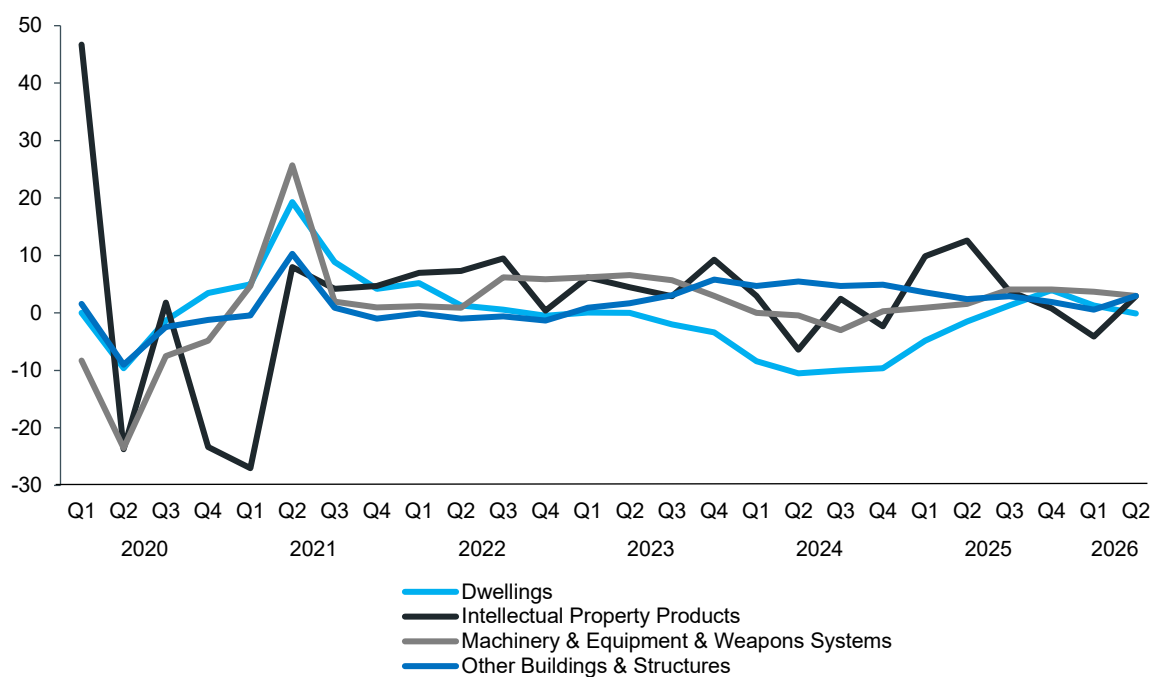


Isolated progress in productive investments

Alongside a look at investments according to sector, a look at the composition of gross fixed capital formation according to asset types also provides valuable insights into the quality and productivity of investments. Productivity advances are generated primarily when investment contributes to the modernisation and expansion of the productive capital stock. Modern machinery, equipment, software and intellectual property enable a broader application of new technologies and thereby make a significant contribution to the growth of productivity and competitiveness (Deutsche Bank 2026b).

The development of gross fixed capital formation according to asset category since the Draghi report does not display uniform momentum. While investment in plant and equipment largely stagnated or decreased in 2024, it picked up pace in the course of 2025 and was at around four percent higher year on year in early 2026. Investments in intellectual property, in contrast, started off with extraordinarily high upward momentum in 2025, including stretches of double-digit growth. They have lost steam since, with investments in intellectual property negative year on year for the first time again in early 2026. Whilst investment in other buildings and structures grew moderately over much of the period, investment in housing – which had previously been in sharp decline – only began to recover in the course of 2025.

Quarterly change* in gross fixed capital formation by asset type in the EU in annual comparison



The development according to asset category indicates that productivity-relevant investments have gained steam at times. Particularly striking was the solid increase in 2025 in investments in intellectual property, which includes investments in software, databases and research and development. The weaker momentum seen most recently should be interpreted with caution in view of the relatively short time frame involved. It remains to be seen whether these are normal fluctuations or whether it represents a sustained turnaround. At the same time, investment in plant and equipment has stepped up since 2025, which could indicate a stronger renewal of the physical capital stock.

An international comparison, however, still shows that the composition of investments in some competitor countries has already shifted more extensively towards technology and innovation-intensive investments. The McKinsey Global Institute highlights that the investment structure in the United States is increasingly shifting towards software, research and development and data centres. Investments in data centres in the United States have increased by around 200 percent since the start of ChatGPT in late 2022, while technology-related investments overall increased by around 50 percent (McKinsey Global Institute 2026). The figures for Europe do not yet show comparable momentum.

Overall, the picture is differentiated. Some individual asset types relevant to productivity have shown more momentum most recently without constituting a broad and sustained shift in the investment structure.

Interim conclusion: Isolated progress but no investment drive

Almost two years after the publication of the Draghi report, the available figures do not yet show a broad ramp-up of investment although many member states have expanded their expenditure in defence and, in the case of Germany, infrastructure. The increase in investment seen so far has largely been an increase in public investment while private investment has not yet shown comparable momentum.

A closer look at the composition of investments does show individual positive developments. Investment in intellectual property, for example, showed solid upward movement throughout parts of 2025, while investment in plant and equipment had increased slightly at last count. There are, however, no real signs of a sustained shift in investment structure towards productivity and innovation-intensive investments so far. On an international comparison, momentum in technology-related investments remains lower than in leading competitors.

In light of the high volume of investment still needed in Europe, the gap between the identified investment requirements and actual investment activity remains substantial.

Political implementation at EU and member state level

The sections so far show that almost two years after the publication of the Draghi report no real turnaround is visible either in productivity or in innovation and investment. At the same time, the European competitiveness agenda has been advanced with numerous initiatives at EU and member state level. To put the results analysed so far in perspective, it is therefore worthwhile to look at the political measures that have been initiated since the Draghi report. The following sections investigate the extent to which these measures tackle the identified challenges in innovation and investment to put the limited progress achieved so far in the available indicators in perspective.

New impetus for innovation and scale-up at EU level

Since the Draghi report, several measures have been initiated at EU level aimed at strengthening the European ecosystem of innovation. These measures are focused on the scale-up of innovative companies, the mobilisation of growth capital and the development and diffusion of new technologies.

A first focus is on improving the growth and scale-up conditions for innovative companies. The EU's 2025 Startup and Scaleup Strategy constitutes an important political framework for these efforts. This strategy pools projects in the areas of regulation, technology transfer, market expansion, attracting

talent and access to research and technology infrastructure. Among them is the proposed optional EU-wide uniform corporate framework EU Inc., the Lab to Unicorn Initiative and measures to make the public procurement system more open to innovation. Many of these initiatives are still in the phase of implementation. Furthermore, these individual initiatives can only partially address the continuing fragmentation of the internal market. It therefore remains to be seen whether and when these measures will succeed in tangibly improving the conditions for cross-border scale-up.

The financing of innovation and scale-up has also moved up the political agenda. The Scaleup Europe Fund set up in August 2026 with a target volume of five billion euros is designed to improve the financing of European technology companies during late-stage growth. This fund will be flanked by the Savings and Investments Union to help mobilise private capital and the European Competitiveness Fund proposed for the next Multiannual Financial Framework to better coordinate the support of research, scale-up and industrial application. These are relevant starting points but whether they will unfold sufficient impact to close Europe's financing gap remains to be seen particularly given the scale of the gap.

Another strategic focus is the development and industrial application of strategic key technologies. To inject momentum here, the EU has further developed approaches already in place and proposed new initiatives, particularly for AI, semiconductors, cloud infrastructure and quantum technologies. These include the expansion of joint computing capacities by setting up AI factories and planned AI gigafactories, the further development of the Chips Act and the Quantum Europe Strategy. With these measures, the EU is tackling several of the technology fields that have been classified as having high strategic importance, also in the Draghi report. However, many of these measures are still being planned or in early implementation. Furthermore, investments and industrial scale-up depend largely on individual member states and companies. In view of the high volume of private investment involved and the speed of technological progress, particularly in the United States and China, there is considerable doubt whether the scope and pace of implementation of the European initiatives will be enough for Europe to catch up in key emerging technologies.

Overall, the initiated measures address central barriers to innovation and scale-up. The present situation continues nonetheless to largely feature strategies, proposals and the development of instruments. Furthermore, individual initiatives alone cannot overcome the fundamental weaknesses that persist in the integration of the internal market, financing, regulation and the availability of skilled workers. The prospects of tangibly reducing the innovation gap to the United States and China are therefore currently unlikely and would require a resolute implementation of the measures as well as progress in the framework conditions specified above.

New approaches to mobilise investment at EU level

The EU has initiated several measures to mobilise private and public funds since the Draghi report. Most are aimed at making greater use of European savings, orientating the EU budget more towards competitiveness and coordinating strategic investments at EU level.

The EU set up the Savings and Investments Union to better channel European savings into productive investments through capital markets. The agenda includes adjustments to securitisation rules, a deeper market integration and initiatives for savings and old-age provision products. Although concrete proposals have been drawn up for these areas, progress is being blocked by politically sensitive issues. Steps towards joint supervision and a harmonisation of tax and insolvency law are very slow. The EU is therefore still far removed from a real, integrated European capital market.

Regarding directing the EU budget more strongly towards competitiveness and strategic investments, the proposal for the Multiannual Financial Framework 2028 to 2034 shows a clear shift towards competitiveness, research, defence and infrastructure. The European Competitiveness Fund is designed to pool schemes which have been run separately so far under a joint framework of regulations to facilitate access to funding and better combine different financing instruments. The proposal sets down important structural foundations but only expands joint European financing on a low scale measured against the size of Europe's investment gap. Furthermore, the proposal is still being negotiated and will not take effect before 2028.

Regarding large strategic projects, the EU is sticking to its concept of Important Projects of Common European Interest (IPCEI). Tech4Cure, for example, has been approved as an additional IPCEI in healthcare. Preparations are underway for further large projects in artificial intelligence for industrial applications, advanced semiconductors, next-generation cloud and edge infrastructure and circular materials. The IPCEIs have so far largely been financed by the individual member states involved. The scope and implementation of these projects is therefore heavily dependent on the budgetary scope available at the national level. Especially the approved hydrogen IPCEI projects are experiencing considerable problems in implementation, also in the provision of national funds and reaching final investment decisions (Hydrogen Europe 2025). Under the European Competitiveness Fund set out in the proposed Multiannual Financial Framework 2028-2034, individual projects within an IPCEI could, in future, be cofinanced by EU funds, providing a useful supplement to national funding. However, whether this will happen and to what extent is still the subject of ongoing MFF negotiations.

Overall, the approaches to mobilise private capital, refocus the EU budget and finance strategic projects have been further developed. The key steps towards integrated capital markets and a higher volume of European financing have still not been approved or will only take effect from 2028 onwards. At the same time, a broader ramp-up of private investment would require an improvement in the parameters of Europe as a production location, less market fragmentation and faster permitting procedures. It is therefore not yet foreseeable that EU measures will succeed in generating an impetus that expands investment on the required scale.

Different paths to strengthening competitiveness in the member states

The European competitiveness agenda is based on measures at EU level and reform and investment at member state level. While particularly new strategies, financing instruments and regulatory initiatives have been initiated at European level, central prerequisites for innovation, investment and productivity growth remain within the responsibility of the individual member states. These include factors such as public investments, the structure of national funding and tax systems, permitting procedures and parts of education, research and skilled workers policy. It is therefore key to also look at Germany, France, Italy and Spain individually in order to evaluate the extent to which the four major economies in the EU have so far incorporated the competitiveness agenda at the national level in selected areas.

Germany has particularly strengthened the investment policy dimension of the competitiveness agenda since the Draghi report. A major focus is Germany's Special Fund for Infrastructure and Climate Neutrality and higher defence investments intended to enable additional public investments in the country's transport, energy and digital infrastructure and its security and defence capabilities (European Commission 2026h, IMF 2026b). These efforts are flanked by the Immediate Tax Investment Programme adopted in 2025, which sets down additional incentives for electric mobility, an expansion of the tax incentives for research and the phased reduction of corporate tax starting in 2028 designed to strengthen private investment and innovation activities (German Federal Ministry of

Finance 2025). To stimulate innovation, the federal government is aiming to support key technologies, strengthen research transfer and improve the scale-up conditions for innovative companies with its High-Tech Agenda 2025, start-up factories and the development of public financing instruments for start-ups and scale-ups, particularly with its Growth Fund, Future Fund and Germany Fund (European Commission 2026h; IMF 2026b). The efforts of the federal government are therefore based mainly on a combination of public investment, tax incentives and policy measures to support innovation. At the same time, major challenges remain in the financing and scale-up of young companies, the commercialisation of research findings and deficits in the digital infrastructure and administrative digitalisation (European Commission 2026h, OECD 2025a, IMF 2026b).

France continues to pursue an approach centred on technology and industrial policy and its investment plan France 2030. This scheme pools investments in strategic emerging technologies and innovative industries. A particular focus is the National Strategy for Artificial Intelligence (OECD 2026a, European Commission 2025c), which has been made more concrete since the Draghi report with the Osez l'IA action plan presented in 2025. The action plan is aimed at accelerating the application of AI in business processes and combines information and advisory measures with qualification and support in accessing AI solutions and their financing (European Commission 2026d). The implementation of France 2030 has advanced substantially. As of January 2026, 44 million euros of the scheme's earmarked volume of 54 billion euros had already been allocated to projects. However, the French budget 2026 reduced the disbursements available for this year under the scheme by 1.1 billion euros (European Commission 2026d). The Tibi Initiative has mobilised institutional investor funding for the financing of innovative companies. Venture capital is still not dynamic enough, particularly for late-growth phases and in the scale-up of young companies (OECD 2026a, European Commission 2026d). Furthermore, the OECD (2026a), IMF (2026c) and the European Commission (2026d) all still emphasise the weaknesses that remain in France's private R&D expenditure, the diffusion of new technologies and in the translation of technological strengths into broader productivity gains.

In Italy, the implementation of the National Recovery and Resilience Programme continues to form the heart of the country's investment and reform policy agenda. It is the largest national recovery plan of the EU with a volume of 194.4 billion euros and combines investment in digitalisation, energy and transport infrastructure and training and qualification with reforms in public administration, the judicial system and the regulatory framework (European Commission 2026h, OECD 2026b, IMF 2026d). Implementation picked up pace in 2025 and 2026 even though individual projects experienced delays, and a considerable gap remains in the disbursement of available funds (IMF 2026d). Despite its high overall volume, the recovery plan has so far only delivered an average annual impetus in funding of around 0.5 percent of GDP, according to OECD figures (OECD 2026b). A particular focus of funding is the digital and green transition of companies. The Transition 5.0 scheme introduced in 2024 set down tax incentives for digital modernisation investments that reduce energy consumption and contribute to decarbonisation. The 2026 Budget Law replaced this scheme with a hyper depreciation system for investments in eligible assets (OECD 2026b, IMF 2026d). Steps have also been taken to strengthen links between research and companies as well as technology transfer. The 2025 Competition Law sets down the adoption of a national strategy for knowledge valorisation and technology transfer every three years (European Commission 2026h, OECD 2026b). While the recovery plan and supporting schemes have together strengthened the investment and reform momentum in Italy, remaining structural barriers have impeded a broader impact on productivity. These include difficulties in the growth of productive small companies, low private R&D expenditure, a weakly developed venture capital market and deficits in digital capabilities and management competencies (European Commission 2026h, OECD 2026b, IMF 2026d).

Spain's implementation of its National Recovery and Resilience Plan includes sectoral transition and digitalisation schemes. Central components of these schemes are the PERTE, strategic projects for economic recovery and transition, which channel EU funds to strategic areas such as renewable energy technologies, electric mobility and semiconductors. The Digital Toolkit Programme was set up particularly to incentivise digitalisation in SMEs, micro companies and among self-employed people (European Commission 2026c). Spain also initiated a financing scheme in 2026, España Crece, to consolidate the investment impetus of the expiring recovery plan and mobilise additional productive investment (European Commission 2026c, IMF 2026a). The measures have particularly provided substantial support to public investment and have also injected investment impetus in the digital and green transition (European Commission 2026c, IMF 2026a). The implementation of the recovery plan has progressed but needs to be accelerated according to the evaluation of the IMF (2026a). As of March 2026, 54 percent of its milestones and targets had been reached. The milestones that had not yet been met and could prove difficult to reach included the tax reform that has been expected for some time now. According to the IMF, the annual grants from the recovery and resilience facility amounted to between 0.4 and 0.8 percent of GDP between 2024 and 2026. The plan also included a loan component for the period between 2025 and 2027 of an overall volume of around 0.4 percent of GDP. Aside from a complete implementation of its recovery plan, the country still needs further reforms. Complex procedures restrict the take-up of tax incentives for R&D investments, while divergent regional regulations, additional regulatory requirements when companies exceed a certain size, and a shortage of growth capital are all factors impeding innovation and the scale-up of young companies (European Commission 2026c, OECD 2025b, IMF 2026a).

Overall, all four member states have further developed their innovation and investment policy activities since the Draghi report but in different ways. Germany has focused particularly on injecting impetus through public investment and tax incentives, France on supporting technologies and innovation, Italy on the implementation of its comprehensive investment and reform plan and Spain on sectoral transition and digitalisation programmes. Many of these measures are still in the implementation phase or represent the continuation of existing programmes. In the following section, we assess their reach and the gaps which remain.

Implementation remains the largest challenge

The measures initiated since the Draghi report address key challenges in the areas of innovation and investment. At EU level, new approaches have been developed for growth capital, strategic technologies and joint investments. The member states have supplemented this agenda with public investments, tax incentives, technology programmes and a range of reforms. Measured against the scale of the challenges described by Draghi, however, the reach and scale of implementation of these measures is limited. Many instruments are still being planned or are in the early stages of implementation, involve older programmes or will only take effect in the next few years.

The gaps are particularly apparent in the mobilisation of private investment, the financing and scale-up of innovative companies and in the broader application of new technologies. In addition, barriers persist in the form of fragmented markets, complex regulation, longwinded procedures and a shortage of skilled manpower. Overall, the political agenda addresses important points but not on the scale required nor is the implementation sufficiently broad or swift.

Overall evaluation and policy-related conclusions

Two years after the Draghi report, progress has been made in some aspects of innovation and investment, the two key points of this interim review. A broad ramp-up of innovation and investment with the power to sustainably strengthen European productivity and competitiveness is not yet visible. This conclusion aligns with the overall muted state of European competitiveness. The Annual Single Market and Competitiveness Report 2026 shows that only six of the 29 key indicators have seen a clear positive development, six have deteriorated, and 15 have remained largely unchanged. Many of the figures this report is based on are only up to 2024 or 2025 so do not completely factor in the impact of more recent measures. While this interim review is not a conclusive evaluation of the impact of the political reorientation since the Draghi report, the investigated indicators do not yet show that it has triggered a broad economic turnaround.

Regarding innovation, progress achieved so far is limited to individual parts of the innovation chain. The clearest improvement is in the accelerated application of digital technologies. The share of EU companies that use AI rose from 13.5 percent in 2024 to 20 percent in 2025. The use of cloud services and data analyses also expanded. There are also positive approaches in individual segments of the start-up and scale-up ecosystem. The European Start-up and Scale-up Index edged up slightly at last count as did the number of unicorns and centaurs. This momentum has not yet generated a broad strengthening of the innovation base overall. Research intensity is stagnating and corporate R&D expenditure is growing more slowly than in the United States and China. Furthermore, substantial gaps remain in innovation financing, commercialisation and scale-up. Overall, the innovation dynamics have improved in certain aspects, but this momentum has not led to tangible improvement along the whole chain of innovation from the generation of knowledge to broad economic application.

The progress regarding investments is even more muted. Although public investments have risen, the overall aggregate investment ratio of the EU was at 21.5 percent of GDP at the start of 2026, almost as high as it was at the start of 2024. The trend in corporate investment, particularly, does not show any signs so far of ramping up. Although investment in plant and equipment has stepped up most recently and investments in intellectual property have risen robustly at times this has still not evolved into a broad and sustained change in the investment structure. The upward momentum of mainly privately financed investments is nothing like the scale of expansion required according to the Draghi report.

The muted upward development is not due to a general shortage of political initiatives. The EU and its member states have initiated numerous measures since 2024 which address the key barriers for innovation and investment. A considerable proportion of measures with the potential to have large effects are still in the legislative procedure or in the early stage of implementation. Other instruments will only take effect within the next Multiannual Financial Framework at the earliest. Major decisions have still not been made to advance politically challenging structural reforms, including the deepening of the internal market and the integration of capital markets. The subdued development of innovation and investment so far is therefore only partially due to the short period there has been for measures to take effect. A substantial gap in implementation is also apparent, which raises the question whether the reach, speed and structure of the measures approved so far will suffice.

In the next phase of the competitiveness agenda, measures that have already been initiated need to be swiftly adopted and resolutely implemented and progress must be made with structural reforms. At EU level, areas in particular need of improvement are the deepening of the internal market and the capital markets and the conditions for growth capital. Furthermore, funds from the next Multiannual

Financial Framework need to be targeted more towards competitiveness, research, strategic technologies and cross-border infrastructure. European programmes need to be made more accessible and better integrated with national instruments. The member states must shift their public funds rapidly into productive investment and create reliable conditions for private investments. These include fast planning and permitting procedures, competitive energy costs, less regulatory complexity, more powerful digital infrastructure and qualified skilled workers. It is crucial that these efforts generate additional private investment and achieve a better commercialisation and scale-up of innovation and higher productivity gains.

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