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## Press release

### Germany Needs to Mobilise Private Funds Crucial for Investment, Innovation and Pensions

Zeb study for AFME highlights how Germany compares to other markets in making use of capital market financing to support its investment scale up and pension financing needs.

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Germany faces a triple challenge: a massive investment backlog, an underfunded startup ecosystem, and a stretched pay-as-you-go pension system. At the same time, private households have limited holdings in equities or funds. These are the core issues examined by the study *“The Mobilisation of Capital in Germany – On three questions around private investments”*, conducted by zeb Consulting on behalf of the Association for Financial Markets in Europe (AFME). This comprehensive analysis looks at the how capital markets can help address these challenges, how German markets compare to those other jurisdictions, what role investment banks can play in supporting these efforts and lastly, how German and European public sector initiatives can help close the gaps. The report makes clear that for Germany to remain economically resilient and competitive, policymakers and the financial sector need to drive jointly towards capital market solutions which are simple, scalable and have a cross-border reach.

**Adam Farkas, CEO of AFME**, explains:

*“Germany is facing an historic investment challenge. Neither the state nor bank-based financing can shoulder this alone. This report shows how private capital markets must become an integral part of financing—only then can the climate transition, digitalisation and competitiveness be secured.”*

**Dr. Dirk Holländer, Senior Partner bei zeb**, adds:

*“Germany’s investment needs, innovation capacity and pension sustainability are closely linked. To address all three, the country must make far greater use of capital market-based funding solutions. By creating scalable structures to crowd in private capital and focussing on incentives which increase retail participation, Germany can unlock the potential of market-based funding and support its long-term economic resilience.”*

#### Key findings of the study:

##### 1. Mobilising private capital for infrastructure, climate and innovation projects

Germany’s investment needs in infrastructure, climate and transformation projects will clearly exceed the capacity of the public budget. Even with a reformed debt brake, state funding will not be sufficient. The study finds:

- Capital market mechanisms such as blended finance, green bonds, securitisation platforms or public-private funds can mobilise private capital at scale.
- Compared with the US, UK or France, Germany’s ecosystem remains more fragmented and conservative—despite its large institutional balance sheets.
- Investment banks act as central multipliers by structuring projects, transforming risks and attracting institutional capital.
- Initiatives such as a Germany Fund and a strengthened EU Capital Markets Union should focus on simplicity, scalability and transparency to accelerate project approvals and offer reliable conditions to attract private investors.

##### 2. Strengthening the start-up and scale-up ecosystem

Germany has strong technological expertise but produces too few globally competitive growth companies. The main reason: insufficient equity financing.

- Germany remains heavily bank dependent, while the US and UK rely more on equity led growth models.
- France has overtaken Germany in late-stage financing and unicorn creation.
- Cross border VC, public co-investment platforms and scale-up funds can provide urgently needed growth capital.

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- Investment banks can contribute significantly to professionalisation and scaling through venture debt, structured financing and international investor networks.
- National reforms should include tax incentives for equity, simplified employee share schemes and faster regulatory procedures.

### 3. Stabilising the pension system with capital market-based solutions

Demographic change is putting increasing pressure on Germany's pay-as-you-go pension system. The study shows:

- Germany needs a substantial funded component to its pension system to ensure long-term financial stability.
- International models such as Sweden (automatic enrolment) and Switzerland (tax-advantaged third pillar) demonstrate that mandatory or semi-mandatory systems help achieve high participation rates.
- Automatic enrolment ("opt-out") can raise participation from below 40% to more than 85%.
- Well-designed tax incentives, digital pension products and simplified investment options significantly increase willingness to save for retirement.

### 4. Promoting equity and fund investments among private households

Despite high overall wealth, German households still primarily invest in low interest deposits.

- Around 60% of financial assets sit in bank accounts—a vast unused capital pool.
- Capital market participation varies strongly by income, age, region and gender.
- Despite progress—particularly through ETF savings plans among young investors—overall participation remains low.
- Effective tools to build up household participation include targeted tax incentives, matching models, long-term holding incentives and integration with pension savings.
- Without simple, transparent and well-communicated measures, a large share of households will continue not to invest.

#### About the study

The study "*The Mobilisation of Capital in Germany*" was produced by zeb Consulting on behalf of and in cooperation with the Association for Financial Markets in Europe (AFME). It analyses capital market structures, international comparison systems, demographic challenges and the role of banks, institutional investors and households in mobilising private capital.

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#### Notes:

1. The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives. For more information please visit the AFME website: [www.afme.eu](http://www.afme.eu)
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