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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Ad Hoc Working Party on EFSI
Subject:	Commission Services Non-Paper on the relationship between ESIF and EFSI Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Fund for Strategic Investments and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013

Delegations will find attached the above non-paper.

Commission Services Non-Paper

The relationship between ESIF and EFSI

The European Structural Investment Funds (ESIF) consist of five funds, namely the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Regional Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). Some €450 billion of ESIF are available for the Member States and their regions in the period 2014-2020. They are allocated in the context of programmes (national, regional, cross-border or European territorial cooperation) approved by the Commission and implemented by Member States and their regions under shared management, i.e. it is ultimately the decision by managing authorities in Member States where and how funds are invested at project level within the framework of the programme which sets out the specific objectives, results to be achieved and types of action to deliver them.

The Investment Plan provides that ESIF programmes should complement the EFSI in delivering the objectives of the Investment Plan through a more effective use of ESIF and in particular by achieving an overall doubling in the use of financial instruments to deliver ESIF during 2014-2020. In addition, the ESIF programmes are and will continue to be a source of financing for large infrastructure projects in the transport, environmental and other key sectors.

The ESIF and the EFSI will be complementary - there is no intention of having one instrument crowding out the other - and the EFSI's focus will be on catalysing additional investment. The question has therefore arisen in this context as to whether and how the ESIF and EFSI can be combined from an operational perspective.

ESIF contribution to EFSI

The use of ESIF is governed by the fund specific regulations and the Common Provisions Regulation (Regulation (EU) 1303/2013). Funds must be used as specified in the regulations and allocated to the programmes. There is a possibility for managing authorities to decide to make an ESIF contribution to a financial instrument set up at Union level managed by the Commission but EFSI does not fall into this category of instruments as it is not a financial instrument in the sense of the Financial Regulation. Hence, there is no mechanism whereby ESIF could contribute directly to the capital of the EFSI.

ESIF contribution to EFSI supported projects

There is a possibility of combining ESIF with investments made by EFSI at the level of individual projects where a part could be financed by ESIF and another part supported by EFSI. This pre-supposes that the specific project is eligible under the programme(s) supported by ESIF and has been selected by the managing authority for support under the programme(s).

ESIF contribution to the Investment Platforms

Investment Platforms (IPs) could take the form of a legally incorporated SPV, a managed account or a contract-based co-financing arrangement established for financing a group of projects. The EIB will either invest under the EFSI guarantee into an IP or extend directly the guarantee provided by the EFSI to an IP.

Three different forms of IPs are envisaged: regional IPs (pooling across several Member States), sectorial IPs (pooling across several Member States in one sector) and national IPs (grouping certain investment projects on the territory of a given Member State).

Participation of ESIF in such a structure could be theoretically possible under certain conditions. The use of ESIF would have to be in line with the ESIF regulatory framework and the priorities of the participating programmes (which would generally imply *inter alia* national or sub-national ring-fencing).

The managing authority could decide to invest in the capital of an Investment Platform dedicated to provide risk finance support to economically viable projects consistent with the objectives of the ESIF. The EIB could invest in the platform under the support of the EFSI or extend a guarantee to it under the counter-guarantee of EFSI, provided such investment is required for attracting private investors.

The ESIF could also be used *alongside* an investment platform. The managing authority could for instance decide to set up or contribute to a facility whereby the ESIF-funded financial instrument and the Investment Platform could co-invest on a deal-by-deal basis in projects alongside private investors.

In all cases, the participation of the ESIF would be subject to the relevant rules (ex-ante assessment, public procurement, state aid etc.) and to consistency with the objectives of the ESIF. In cases where the participation of the IP constitute eligible private co-financing under the ESIF programme, this co-financing would also be subject to the rules of the ESIF regulatory framework and operational programme concerned.