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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 Role of National Promotional
Banks in the Commission Proposal for an EFSI Regulation
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 Role of National Promotional Banks in the Commission Proposal for an EFSI Regulation

National promotional banks (NPBs) have played a key role both before and particularly during the financial crisis in providing financing and assistance to investment projects across the EU. Given this experience, it is important that NPBs are active participants in the work of EFSI.

In this respect, the role of NPBs under the Commission proposal for an EFSI Regulation can be split into two broad categories: financing and technical assistance.

Financing

NPBs will have at their disposal the three financing options available to all third parties:

1. **EFSI Level** – NPBs can take part in the governance of EFSI if they become contributors at EFSI level (pari-passu with EFSI). This would require the NPB to join the EFSI Agreement and agreeing to the terms of the EFSI (e.g. no geographic quotas). Given that a number of NPBs are only allowed to invest within their own territory, this option will *de facto* only be available to a limited number of NPBs.
2. **Investment Platform Level** – NPBs can create or participate in investment platforms that target specific geographic or thematic sectors. This will allow NPBs that are only allowed to invest within their own territory to create investment platforms for EFSI support that are broader than an individual project but remain within their mandate. EFSI would invest pari-passu alongside other investors in the platform or take a subordinated position (e.g. first-loss-piece).
3. **Project Level** – NPBs can contribute alongside EIB financing supported by EFSI at the level of individual projects. As EFSI will focus on "additionality", EFSI cannot contribute if the NPB and/or private sector can fully finance the project themselves. Therefore, EFSI contribution will support EIB participation in projects that the NPBs originally would not have been able to finance only by themselves on reasonable terms. This will actively avoid crowding out NPBs from their current work and allow an expansion of current NPB activities.

Given their special role in investment across the EU, the EFSI Regulation foresees an additional financing mechanism for NPBs:

4. **Benefiting from the EU Guarantee** – NPBs can benefit from support of the EU guarantee, via the EIB¹. This support could only be for activities that meet the requirements of the EFSI Regulation. Operationally, as the EU guarantee is granted to the EIB, this will require that the EIB in turn provides a guarantee to an NPB. The NPB would then be required to achieve the leverage that is inherent in the EFSI (i.e. if the EIB was to use the EU guarantee to give a €1 guarantee to an NPB, the NPB would, on average, need to invest €3 into a project alongside €12 from other participants).

Technical Assistance

The Commission proposal for an EFSI Regulation foresees the creation of a European Investment Advisory Hub (EIAH)². EIAH should be a one-stop shop for technical assistance in the Union. In this respect, the proposal calls for EIAH to utilise the expertise of NPBs (in particular as regards SME financing) in meeting its objective. NPBs have both regional and technical knowledge that will be of key importance in developing a single point of entry for technical assistance. NPBs will not be under a legal obligation to provide assistance; however, EIAH will actively seek their participation. If each NPB decides to participate, NPBs may play a key role in facilitating the regionalisation of EIAH.

¹ See Article 5(2) of the proposal.

² See Article 2(2) of the proposal.