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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 private sector participation in the
European Fund for Strategic Investments
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.

Private sector participation in the European Fund for Strategic Investments

Catalysing private investments in priority areas is a key objective of the initiative. In principle, private investors can co-invest at three levels of the initiative:

1. At the level of the supported project,
2. In an investment platform (a fund structure) co-financed by the EIB with the support of the EFSI guarantee
3. At the level of the European Fund for Strategic Investment itself.

Article 1(2) of the proposal reads, "[...] the EFSI Agreement shall also be open to accession by [...] private sector entities.

Private sector participation at the EFSI level would be subject to the same multiplier effect as the EU guarantee. Thereby, the leverage of the public funds committed to the initiative, and hence the efficiency from an EU perspective, would be greatly increased. From the investor perspective, the key benefit would derive from the economies of scale as the investor would not be required to provide for the assessment of numerous different projects (delegated to the EFSI Investment Committee). According to the Regulation, contributors would get a proportionate representation in the Steering Board.

In accordance with the proposal, the participation of private investors in the EFSI is not automatic. Only EU Member States have a general right to participate. The existing EFSI contributors (initially the Commission and the EIB) retain the right to refuse entrance to private investors (Article 1(2)). Thus, consent of the existing contributors is the single most important criterion for private investors to participate in the EFSI.

Other than these procedural requirements, the proposal does not define a specific set of criteria for private investors at this point. In fact, given the aforementioned benefits from an EU perspective, it seems not advisable to unduly limit *ex ante* the range of potential investors but to evaluate them on a case-by-case basis. In a concrete case, it is to be expected that the Commission and the EIB would duly consider the benefits and potential disadvantages, if any, of a certain investor contributing to the fund, in light of the overall objective of rendering the Fund as effective as possible, before it consents to any private sector participation in the Fund. Factors to be assessed could be *inter alia*, the implications for the effectiveness of the initiative, the relevant expertise of the private entity in question, its repute and integrity and the size of the contribution it intends to make.