



UNDERSTANDING THE CHALLENGES OF EDIP AND EUROPEAN DEFENCE

The Main Proposals on the Table Isolated and Explained

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The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (IRIS), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

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INTRODUCTION

In the coming months and years, the European Parliament (EP) and the Council will be faced with major political choices in the field of the defence industry. First and foremost, they will have to discuss and adopt the European Defence Industrial Program (EDIP), which the European Commission (EC) put on the table on 5 March 2024, alongside with the European Defence Industrial Strategy (EDIS). EDIP is a complex programme containing numerous proposals designed to bring about significant changes in the military-industrial role of the European Union (EU). More specifically, the programme covers five distinct sectors:

- (1) The governance of EU defence industrial policies,
- (2) Joint procurement,
- (3) Support for industrial production and ramp up,
- (4) Securing supply chains and possible priority orders,
- (5) The integration of the Ukrainian military industry into the EDTIB.

MEPs and representatives of the Member States (MSs) will also have to decide on two other major issues that go beyond EDIP and concern European defence as a whole:

- (6) The issue of involving third countries/entities in EU initiatives and
- (7) The budget issue.

To make it easier to understand these complex issues, the ARES Group has decided to publish seven factsheets, corresponding to the seven themes mentioned above. A summary diagram of the EDIP proposals is also published at the end of this document.

FACTSHEET 1 – GOVERNANCE

Proposal	Content
<p>Defence Industrial Readiness Board (art. 57 EDIP)</p>	<p>Objective The Board must assist and advise the EC in the management of EDIP. It could also have a potential joint defence programming and procurement function. It will play a particularly important role in implementing measures to ensure security of supply in the case of activation of a “crisis state” (see factsheet 4).</p> <p>Composition and operation The Board will gather the representatives of the EC, the High-Representative of the Union (HR/VP) and the Head of the European Defence Agency (EDA), MSs and associated countries. The Board is chaired by the EC, which provides the secretariat.</p> <p>Role</p> <ul style="list-style-type: none"> • Discusses the various measures to be taken in the context of EDIP, and gives advice. • Discuss the priorities to be funded, taking into account CARD and the CDP of the EDA. • Promote coherence between MSs purchases. • Promote greater knowledge by MSs of each other's industrial base. • Identify common production targets, especially for critical capabilities. • Discuss and identify European Defence Projects of Common Interest. • Discuss the activation of "crisis states" of the supply chains and the resulting measures (see factsheet 4). • Contribute to the mapping of the EU’s defence supply-chains; • Possibility of creating specific working groups. • Consultations with stakeholders and senior representatives of the defence industry.
<p>Programme Committee (art. 58 EDIP)</p>	<p>Objective This is the classic committee provided for by European comitology and the EU Community system.</p> <p>Composition and operation Chaired by the EC and made up of representatives from the MS, the committee adopts, by qualified majority, the EDIP implementing acts proposed by the EC, on which it does not vote. The European Defence Agency (EDA) shall be invited to provide its views and expertise to the committee as an observer. The EEAS shall also be invited to assist in the work of the committee.</p> <p>Role Among the acts adopted by the committee, the Annual Work Programme is one of the most important ones, as it details the budget and the measures to be taken each year.</p>

Political issues

In the management of EDIP, the Board should enable the EC to consult and listen to the MSs, the HR/VP and the European Defence Agency (EDA) at a high political level. In this respect, it differs from the traditional Programme Committee, which is responsible for supervising EDIP and adopt the acts necessary for implementing the decisions taken, as the work programme.

The Board can also be seen as a means for the EC to participate in defining the military-industrial priorities to be followed by the EU. However, this view is contested by those who consider that political choices relating to defence industrial policy should remain exclusively in the hands of the MSs and the EDA, within the framework of the EU's intergovernmental system. European legislators are therefore faced with a fundamental choice: whether or not to extend the Community system and the role of the EC.

FACTSHEET 2 - JOINT PROCUREMENT

Proposal	Content
<p>Creation of SEAPs and financial support of joint acquisitions</p> <p>(art. 22-33 EDIP)</p>	<p>Objective</p> <p>The EC is proposing to create Structures for European Armament Programme (SEAP) to provide groups of MSs with the legal framework for their joint procurement as well as for the pooling of equipment maintenance. The intended scope of SEAPs is broadly to promote more cooperation among MS and to strengthen the EDTIB.</p> <p>Composition and operation</p> <ul style="list-style-type: none"> • To be set up, at least 3 MSs (or associates or Ukraine) will have to submit an application to the EC, with the SEAP’s statute attached. The EC must validate the application and the statute. Once validated, the statutes of the SEAP will be published in the OJ. • SEAPs must have legal personality and legal capacity, like an international organisation. • SEAPs must be represented by a Procurement Agent acting on their behalf. • SEAPs will enjoy a certain degree of autonomy, but will have to comply with EU law and will remain under the control of the EC, which may dissolve them if necessary. SEAPs will be required to provide annual reports to the EC. <p>Role of SEAPs</p> <ul style="list-style-type: none"> • Act as legal interface for joint purchases. • Joint management of the life cycle of defence products. • Management of additional quantities of defence products purchased by the MSs participating in the SEAP to constitute strategic reserves ("Defence Industrial Readiness Pool"). These strategic reserves can be sold or leased on an immediate and preferential basis to other MSs or to Ukraine (see the point on the Military Sales Mechanism in Joint Procurement here below). • SEAPs will be able to cooperate with third countries, provided that this does not compromise EU security and interests. <p>SEAP incentives</p> <ul style="list-style-type: none"> • EU financial support for joint procurement can benefit from a bonus if the purchase is made through a SEAP. • Establishment of standard administrative procedures for initiating and managing cooperative ventures. • More favourable funding rates for EU programmes, with simplified procedures. • Exemption from VAT where the MSs buy together and share joint ownership of the weapons. • Possible bonus if the MSs participating in a SEAP agree on common export criteria for products co-financed and purchased together via EDIP.

- MSs participating in a SEAP can raise debt together to continue developing a project. EDIP's co-financing should make this debt more credible.
- Supervision of industrialisation and marketing projects for prototypes co-financed by the European Defence Fund (EDF).

Creation of a Military Sales Mechanism (EU MSM) and Defence Industrial Readiness Pools

(art. 14 EDIP)

To encourage acquisitions from the EDTIB, EDIP proposes a complex mechanism to encourage "government-to-government" procurement, inspired by the US Foreign Military Sales (FMS). Under the US FMS, the US government uses the Department of Defence procurement system to buy defence equipment and services on behalf of its partners. It is also possible that, when Washington purchases equipment to meet its own requirements, it buys additional quantities to be able to resell them to its allies. In this way, the transaction is carried out directly through government-to-government agreement, without going through the complex negotiations with manufacturers, who then have to obtain export licences. The EU therefore wants to adapt its rules to allow MSs to do the same.

To this end, the following measures are planned:

- Centralised catalogue via an IT platform
Creation by the EC of an IT platform containing a centralised catalogue of defence equipment available in the EU, supplied voluntarily by industry through calls for expressions of interest.
- Creation and financing of Defence Industrial Readiness Pools
Possibility for groups of MSs (possibly brought together within SEAPs) to build up reserves of critical equipment by making additional purchases. The EC could provide co-financing in this context, both for joint purchases and to organise the maintenance of the equipment acquired. These reserves could then be sold or leased on an immediate and preferential basis via a government-to-government contract.

Possibility of derogating from Directive 2009/81/EC

(w. 39 + art. 29 EDIP)

To ensure that MSs have a sufficient incentive to participate in cooperation within a SEAP, and where a SEAP carries out procurement on behalf of its members and not on its own account as an international organisation, SEAPs should be able to define their own procurement rules by way of derogation from the Defence Procurement Directive Directive 2009/81/EC.

Joint purchasing with the EC as a central purchasing body

A group of MSs may ask the EC to act as a central purchasing body for joint procurement of defence products, subject to certain conditions. The MSs remain the owners of the goods acquired. When it operates as a central purchasing body, the EC could also:

- Organise advanced purchasing agreements (art. 36 EDIP)
These purchases may include mechanisms for advance payment in exchange for the right to the result. Under these arrangements, MSs would undertake to purchase defence equipment that has yet to be

(art. 35-37 EDIP)

produced, and the EC could even cover part of any advance payments (art. 36.2 EDIP).

- Organise "Off-take agreements" (art. 37 EDIP)
These must allow a group of MSs to procure a certain quantity of defence products over a certain period of time or a commitment on the manufacturer of defence products to provide the MSs with the option to do so. In that case, interested MSs may request the EC to engage in a joint procurement procedure or to engage in a procurement procedure in their name.

Support for certification and interoperability

The EC is proposing to provide administrative capacity building support to MSs that request it, to facilitate joint procurement. This would include :

- Support for the reorganisation of national procurement administrations and the simplification of national procedures.
- Support cooperation between the MSs in defence procurement, as well as in the fields of certification and interoperability.
- Support cross-certification activities between MSs and to promote interoperability.
- In the event of a crisis, ensure mutual recognition of certifications between MSs.
- Support EDA initiatives to harmonise certifications.

The MSs should list their national defence certification authorities and notify the list to the EC, which would make it available to the other MSs.

Political issues

The EC proposes here to perpetuate and improve the aid for joint acquisitions provided for by the EDIRPA programme, adopted for a limited period and as an emergency in 2023.

As for the role of central purchasing body, it has been already exercised by the EC in the context of vaccines, and by the EDA for the purchase, on behalf of MS, of ammunition in emergency. It is also provided for in the Chips Act. However, MSs may be more reticent about the EC taking on this role in a sector as closely tied to national sovereignty as defence.

FACTSHEET 3 - SUPPORT FOR PRODUCTION RAMP-UP

Proposal	Content
<p>Financing to support production</p>	<p>This measure is designed to perpetuate the competences acquired through ASAP.</p> <p>It provides:</p> <ul style="list-style-type: none"> • Support for optimising, extending, modernising, upgrading, reallocating or creating production capacity, with a particular focus on UAVs. • Financing the installation of production lines that can only be activated in an emergency. • Aid for the acquisition of physical and cyber protection systems. • Support for emergency activities, including innovation. • Financial support to reallocate civilian production lines for critical equipment or components to military requirements in the event of an emergency (e.g. civilian drones).
<p>FAST: support for SMEs and ETIs (w. 29-30 + art.19 EDIP)</p>	<p>Creation of a Fund to Accelerate Defence Supply Chain Transformation (FAST):</p> <ul style="list-style-type: none"> • Support for debt and access to finance for SMEs and Mid-Caps to: <ul style="list-style-type: none"> - Promote the industrialisation of defence technologies. - Support the production of key components in the supply chain. • Help in obtaining the necessary qualifications.
<p>Support for EDF projects and their transfer</p>	<p>Support for the industrialisation and commercialisation of projects developed by the European Defence Fund (EDF) and their intra- and extra-Community transfers <i>via</i> the following measures:</p> <ul style="list-style-type: none"> • Repayable grants for the industrialisation and marketing of products co-financed by the EDF and which have reached prototype level. • Support for the harmonisation, between MSs, of standards and specifications for products co-financed by the EDF. • Encourage the MSs to harmonise their export policies for products developed by the EDF (see also the similar point on SEAPs). • Facilitation of intra-Community transfers for products co-financed by the EDF and evaluation in 2025 of the 2009 Directive on intra-Community transfers.
<p>Support for European Defence Projects of Common Interest (EDPCI) (art. 15 EDIP)</p>	<p>(The EDPCI could also be described in the factsheet on joint procurement.) The EC intends to identify and focus on projects considered strategic for the EU as a whole, such as air defence, defence infrastructure or access to contested areas (space, cyber, etc.). The aim is to fund activities in support of these projects (the EC contribution may not exceed 25%).</p> <p>The EDPCIs would be identified by the EC as part of the annual EDIP work programme adopted by the Programme Committee. In identifying the</p>

EDPCIs, the EC consults the Board, the MSs and draws on the work of the EDA CDP, CARD and PESCO. At least four MSs must be involved to obtain EU support.

Recruitment and human resources support

Enhance the attractiveness of the defence industry for human resources and especially for young people, in particular through the following measures:

- Promote worker mobility in the sector.
- Support relevant initiatives in the field of education.
- Establish criteria in EU calls for tender to make projects more attractive to young people.
- Aid for training and professional requalification.

Political issues

The principle of supporting production has already been agreed in the ASAP programme, adopted as a matter of urgency for a limited period. However, the idea of identifying European defence projects of common interest (EDPCI) at EU level and giving the EC a role in this context is new and open to debate, linked to the question of the role and powers that the EC, as a supranational institution, should have in industrial defence policies.

Facilitating intra-Community transfers also raises some concerns in certain national capitals. Some MSs would like to keep the power to limit them in certain circumstances, while the EC considers that they contribute to the construction of a common defence market and security of supply.

Finally, some MSs might consider that the wish, mentioned in the EC's proposal on EDIP, that MSs better harmonise their export policies of products co-financed by the EDF, could compromise their freedom of action in this area. For its part, the EC considers that greater coherence in export policies is an essential condition for promoting and facilitating trans-European cooperation.

FACTSHEET 4 – SECURITY OF SUPPLY

Proposal	Content
<p>Mapping supply chains, identifying and monitoring crisis-relevant products (art. 40-41 EDIP)</p>	<ul style="list-style-type: none"> • The EC and MS, within the Board, map defence supply chains on the basis of public information or requests made to companies, which remain free to provide answers. The EC will treat the information confidentially. • The Board draws up a list of defence products that are essential to security interests. • The EC, after consulting the Board, develops a methodology for identifying crisis-relevant products and bottlenecks, as well as the corresponding manufacturing capacities in the EU. • The EC draws up a list of "crisis-relevant products" by means of an implementing act. • The EC, in consultation with the Board, may constantly monitor the production capacities of crisis-relevant products and request information in this regard. • The EC, assisted by the Board, establishes "early warning indicators" to anticipate the risks of shortages and bottlenecks. • The EC monitors production capacity for crisis-relevant products. It consults and informs the Board and produces reports on this subject.
<p>Special measures in the event of a "crisis state" and priority orders (art. 44-51 + 55 EDIP)</p>	<p>In the event of a crisis in the supply of a key product for the defence industry, the Council, acting on a proposal from the EC, may activate two types of procedures, acting by a qualified majority:</p> <ol style="list-style-type: none"> 1. A "supply crisis state" for components that are not necessarily specifically defence-related, but which are important for defence. 2. A "security-related supply crisis state", this time involving defence products. <p>Once one of these "crisis states" is activated, the Commission can temporarily acquire important powers, although it cannot act without the consent of the MSs concerned. These may include the following measures:</p> <ul style="list-style-type: none"> • The EC collects information from companies that contribute to the production of products in crisis, in agreement with the MS concerned, taking all possible precautions to ensure confidentiality and without asking the company concerned to disclose sensitive information. Under certain conditions and in agreement with the MS concerned, financial penalties may be envisaged in the event of non-response. • A MS facing a serious risk of shortage may ask the EC to impose a priority production order on companies that help to produce the good in question. In this case too, financial penalties are provided for in the event of non-compliance with the measures adopted.

- Other measures to facilitate certification and intra-Community transfers are also envisaged.

Intra-EU transfers of defence products in crisis

Once the security-related supply crisis has been activated, requests for intra-EU transfers of defence products must be processed within two working days.

(art. 51 EDIP)

Furthermore, MSs must refrain from applying the measures of Directive 2009/43/EC on intra-EU transfers which authorise restrictions on transfers in specific cases (e.g. for goods considered sensitive). When MSs still impose restrictions on intra-EU transfers for reasons of security, this must be done under very specific conditions listed in Article 51 of the EDIP.

Other administrative measures applicable during a crisis

In the event of a security-related supply crisis, the EU and the MSs must facilitate certification and the various authorisation procedures.

(art.53-54 EDIP)

Possibility of derogating from Directive 2009/81/EC on public procurement

Directive 2009/81/EC currently provides for the possibility, in an emergency, of awarding a contract without a call for tenders or with calls for tenders with short deadlines. In cases of extreme urgency, during supply crises or security crises, the EC wants to allow MSs that have made use of this possibility to increase the quantities of equipment to be purchased by extending the contract initially stipulated, via the reopening of the framework agreement, to entities from other MSs that were not originally part of the contract, while guaranteeing them the same conditions initially stipulated.

(w. 48 + art 43 EDIP)

Political issues

The EC would like to strengthen the security of supply, focusing on supply chains, to avoid the bottlenecks it is experiencing during the war in Ukraine. To this end, on the basis of the solidarity clause in the Treaties, the EC wishes to ensure coordination to reduce dependence on foreign suppliers, by supporting a European defence market and by stockpiling certain components.

Asking companies for information on their supply chains, as well as the possibility of imposing priority orders (albeit at the request of the MS where the company is based), is a sensitive issue in some MSs. However, these prerogatives would only be implemented in the event of a supply crisis, and they partly have already been exercised by the EU as part of the Defence Joint Procurement Task Force.

FACTSHEET 5 - SUPPORT TO UKRAINE DTIB

Proposal	Content
<p>Creation, as part of EDIP, of a "Ukraine Support Instrument"</p>	<p>The Ukraine Support Instrument will not be based on art. 173 TFEU, like the rest of the EDIP, but on art. 212 TFEU (economic cooperation with third countries). It is aimed at the recovery, reconstruction and modernisation of the Ukrainian DTIB.</p> <p>Its budget should come mainly from the revenue generated by the restrictive measures against Russia (art.6.2 EDIP). Therefore, the budget of €1.5 billion provided for in the EDIP regulation does not apply to the Ukraine Support Instrument.</p>
<p>Extension of most EDIP activities to Ukraine</p> <p>(art. 59 EDIP)</p>	<p>The EDIP regulation, and in particular Article 21, make Ukraine and its military companies eligible for most EDIP actions and funding. The rules governing the association of third countries with EDIP are therefore different for Ukraine.</p> <p>To extend the EDIP measures to Ukraine, an agreement between Brussels and Kiev will have to be signed. The agreement will have to define Ukraine's obligations and not just its rights.</p>
<p>Other actions to bring the UDTIB closer to the EDTIB</p>	<ul style="list-style-type: none"> • Facilitating the adaptation of the Ukrainian industry to EU rules, standards and policies. Supporting the strengthening of the Administrative Agreement between Ukraine and the EDA. • Enabling Ukraine to take part in joint procurement whenever possible. • Opening of an EU Defence Innovation Office in Kiev to link EU companies and start-ups with the Ukrainian defence industry and army, in particular to introduce new disruptive technologies.
<p>Political issues</p>	<p>The idea of a better integration of the Ukrainian and European DTIBs is closely linked to the process of bringing Ukraine closer to the EU, as well as to the necessity to support Ukraine DTIB in a period of war. There are different sensitivities on this subject within the Union, both in terms of timing and relevance.</p> <p>The use of budgets from frozen Russian assets to fund the UDTIB is also the subject of debate.</p>

FACTSHEET 6 - PARTICIPATION OF THIRD-COUNTRY ENTITIES

Proposal	Content
<p>The basic rule (art.9-10 EDIP)</p>	<p>Recipients of EDIP funding must be established in the EU or in an associated country (as is the case for the EDF). The infrastructure they use must also be established in the EU or an associated country. Moreover, recipients must not be subject to the control of a third country or a third country entity. The eligibility rules for EDIP financing apply <i>mutatis mutandis</i> to joint acquisitions.</p>
<p>Exceptions (art. 10 EDIP)</p>	<p>The general rule above mentioned provides for some exceptions, which can nevertheless be grouped into three major cases (any reference to the EU here extends to "associated countries"):</p> <ol style="list-style-type: none"> 1. Infrastructure of an EU entity in a third country. When the recipients of EDIP grants do not have the necessary infrastructure to carry out the project in the EU, they may use infrastructure in third countries. However, this must not be to the detriment of the Union and MSs interests and of the objectives of EDIP. 2. Subsidiary of a foreign country established in the EU. The subsidiary of a foreign country established in the EU is eligible in these circumstances: <ul style="list-style-type: none"> • Whether the third-country entity controlling it has been subject to foreign direct investment (FDI) screening within the meaning of Directive (EU) 2019/452. • If the EU country where the subsidiary is established provides guarantees to the EC regarding the preservation of the EU's interests and security. • If the EU country in which the subsidiary is established provides guarantees that the third country will not hinder the action or impose limitations, including in the area of intellectual property. • If the third country does not have access to confidential information relating to the action and if the employees taking part in the action have security clearance issued by an EU MS. • The EU State in which the subsidiary is located may provide other guarantees if it considers this necessary. <p>The EC must communicate to the EDIP Programme Committee (and therefore to all MS) the name of any subsidiary considered eligible under the above rules.</p> 3. Coordination of an EU entity with an entity in a third country. EDIP recipients may cooperate with third country entities provided that this is not against the security interests of the Union and that there is no unauthorised access to classified information relating to the action. However, such actions carried out in cooperation with third country entities are not eligible for EDIP funding.

The case of SEAPs (art.26.3 EDIP) A SEAP may cooperate with non-associated third countries or entities of non-associated third countries, including through the use of infrastructure, provided that the security and defence interests of the Union are not thereby prejudiced. When SEAPs interact with third country entities, the rules that apply are those mentioned above.

The case of Ukraine and the Ukraine Support Instrument (artr.20- 21) The recipients of funding from the Ukraine Support Instrument must be in the EU or Ukraine. However, if the recipients have no alternative, they may use infrastructures located or owned outside the EU or Ukraine, provided that such use is not against the interests of the Union. The exceptions provided for are similar to those mentioned above.

Political issues The rules governing the participation of entities from non-associated third countries are one of the most sensitive points in the EDIP.

The EC's proposal for a regulation on EDIP is only partly inspired by the rules already established in the EDF. The EDIP rules in this first draft appear to be slightly more permissive than those in the EDF, especially concerning EU infrastructure located outside the EU and those within the EU but that are owned by third countries.

The debate on the participation of entities from third countries is torn between two principles: that of European strategic autonomy and that of pragmatism in the face of needs and the urgency of the situation. The need to support the EDTIB to strengthen its long-term production capacity, and therefore the EU's long-term autonomy, may clash with short-term needs to replenish stocks and support Ukraine.

The issue is also linked to the question of the relations with the main NATO allies (United Kingdom, the United States ...) and their role of in European defence. The EC's initiatives in this area aim to ensure that any participation by a third-country entity does not entail a loss of sovereignty over the defence products concerned (e.g. US ITAR legislation). It should be noted also that the EU's military-industrial defence policies are based in particular on Article 173 of the TFEU, which aims to support the competitiveness of the MSs industry, and cannot therefore concern the industries of non-member countries. Nevertheless, the need to cooperate with key allies for the EU remains real.

FACTSHEET 7 - FINANCIAL ISSUES

The financing of the defence industry, and more generally of defence, by the EU is a major political issue that goes well beyond EDIP and its adoption. The EU's next Multiannual Financial Framework (MFF) will be negotiated and adopted during the current legislature, and the EU will have to adopt a budget that will, this time, make defence a priority, something that has never been the case in previous MFFs.

Proposal	Content
The current EU defence budgets	<p>The Heading 5 of the 2021-2027 MFF, dedicated to 'Security and defence', has a budget of €16.71 billion (current prices). Of this amount, the allocations for defence are as follows¹:</p> <ul style="list-style-type: none"> • EDF: €7.2 billion (42.1%), excluding €1.49 billion for EDIP • EDIRPA: €300 million (1.8%) • ASAP: €500 million (3%) • Military mobility: €1.75 billion (10.5%) • Others: €3.6 billion (3.3%) • Eventually EDIP: €1.49 billion (11.2%) <p>In addition to the EU's ordinary budget, there is also the <i>ad hoc</i> budget of the European Peace Facility Budget (€17,04 billion so far) for partial reimbursement of arms transfers to third countries by the EU.</p> <p>It should be noted that the EU also has budgets for other headings that may concern dual use, such as space (€13.202 billion for 2021-2027).</p>
EDIP budget proposal	<p>EDIP proposal:</p> <ul style="list-style-type: none"> • €1.49 billion until 2027 from the MFF 2021-2027. • The European Regional Development Fund (ERDF) and the European Social Fund (ESF+) may support proposals submitted to the EDIP which have been awarded a label of excellence in accordance with the EDIP rules (art. 7.3 EDIP). • EDIP can finance certain actions retroactively.
Other possible sources of funding for EDIP and for defence more broadly	<p>The MSs are discussing other possible sources of funding not only for EDIP, but also for other defence industrial programmes, such as the EDF. The options on the table are as follows:</p> <ol style="list-style-type: none"> 1. Asking the MSs to increase the ordinary budget of the Union to better support the EDTIB in the next MFF (2028-2033). 2. Increasing the EU's ordinary budget by establishing new Union's own resources. 3. Unfreezing Russian assets beyond the interest they have generated.

¹ European Commission, [Statement of estimates for the financial year 2025](#), DG Budget 2024.

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4. Creating new EU common debt through Eurobonds for defence (...€100bn?).
 5. Extending of EIB funding to the defence industry.
 6. Making better use of the EU's horizontal funds (EU Invest, Cohesion Fund, ESF) for the benefit of the EDTIB and dual use.
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Promoting the attractiveness of the EDTIB in the financial sector

Another challenge in financing the EDTIB is the difficulty defence companies face in accessing financial markets, particularly due to ESG criteria, but also because of the long-term profitability of military R&D. EDIP proposes the following measures to facilitate EDTIB's access to private funding:

- Reaching out to private financial institutions, encouraging them to support the EDTIB.
- Promoting greater recognition of security, resilience, and sovereignty criteria within ESG.

Political issues

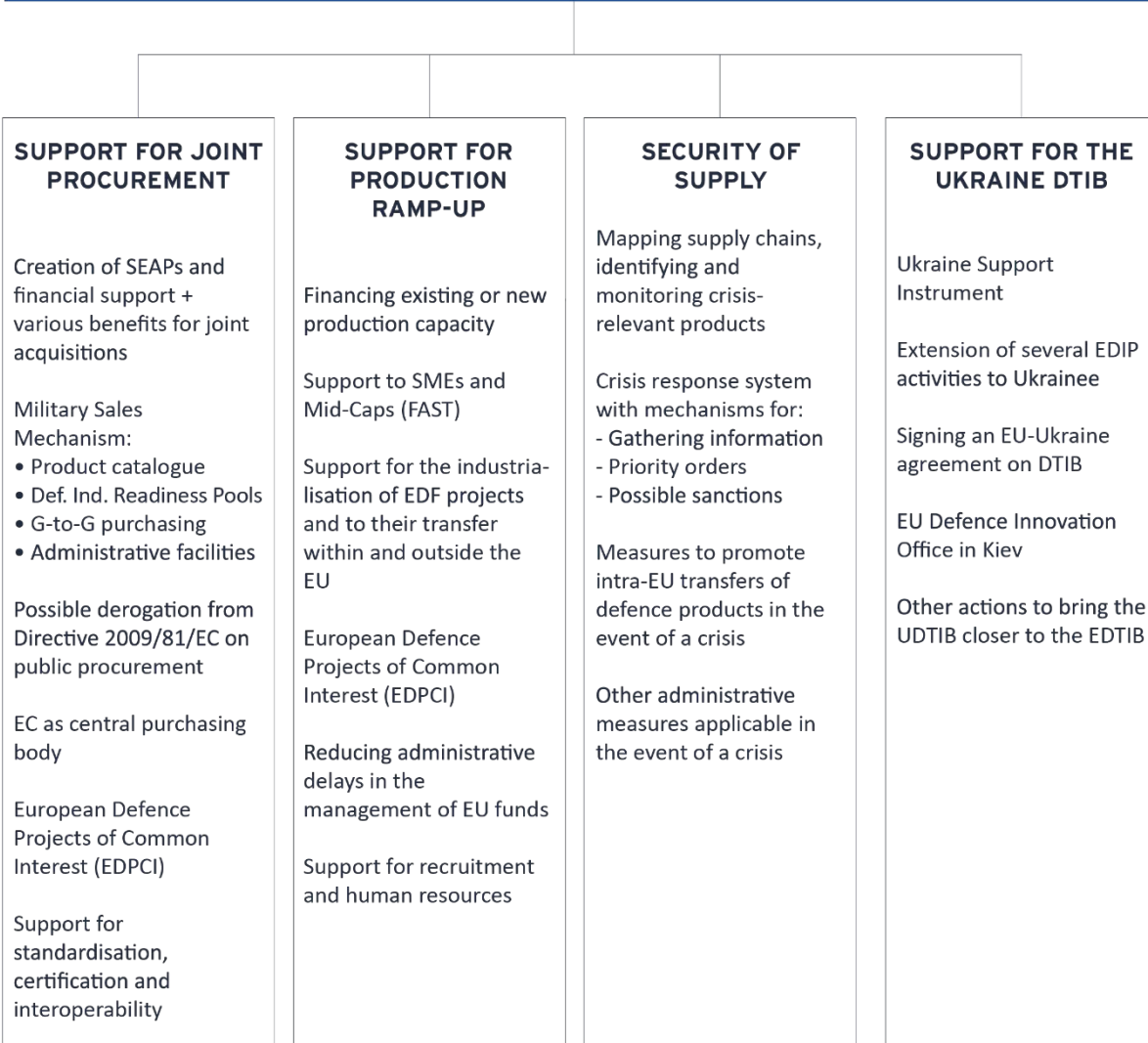
The financing of EDIP is the subject of difficult debates. While there is a degree of consensus on the need for greater support for defence at the EU level, the modalities, budget levels and sources of funding are still a matter of debate.

This question is linked more generally to the issue of the EU budget as a whole, through a possible increase of the MSs contributions or other sources, such as the institution of Union's own resources.

The possibility of raising debt at EU level through Eurobonds (as was done for Recovery and Resilience Facility) also represents an option that is subject to difficult discussions between the MSs.

EDIP GOVERNANCE

Defence Industrial Readiness Board (Board)
Programme Committee under the Community System



RULES FOR THE ASSOCIATION OF THIRD COUNTRIES/ENTITIES

The basic rule / The exceptions / The case of SEAP / The case of Ukraine

EDIP BUDGET

Budget 2025-2027: 1.49 billion € ?
Budget 2028-2033: ? €
Interest on Russian assets: ? €
Eurobonds for defence: ? €
EIB : ? €

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The Armament Industry European Research Group (Ares Group) is a high-level network of security and defence specialists across Europe. Its aim is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.