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WORKING DOCUMENT

From: Presidency
To: Ad hoc working party on defence industry

Subject: Proposal for a European Defence Industry Programme (EDIP): Article 20

Delegations will find attached a proposal for a new Article 20.

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EN

Article 20

[Financing not linked to costs // Union financial contribution]

1. Grants may take the form of financing not linked to costs, pursuant to Article 180(3) of the Financial Regulation.
2. Where the Union grant takes the form of financing not linked to costs, the level of the Union contribution attributed to each action may be defined on the basis of factors such as:
 - (a) the complexity of the common procurement, for which a proportion of the estimated value of the common procurement contract and the experience gained in similar actions may serve as an initial proxy;
 - (b) the contribution of the action to improving interoperability outcomes;
 - (c) the characteristics of the action which are likely to give rise to greater long-term investment signals to industry;
 - (d) the number of participating Member States and associated countries or the inclusion of additional Member States or associated countries in existing cooperations may serve as a proxy;
 - (e) the contribution of the action to the ramp-up of necessary manufacturing capacities;
 - (f) the contribution of the action to enhancing cooperation between Member States or associated countries for the purpose of establishing or maintaining a defence industrial readiness pool.
3. Actions referred to in Article 12 (common procurement) shall be funded by way of grants in the form of financing not linked to costs, pursuant to Article 180(3) of the Financial Regulation.
4. The Union financial contribution to each action referred to in paragraph 3 shall not exceed 15% of the estimated value of the common procurement contract.
5. By way of derogation to paragraph 4, the Union financial contribution to each action referred to in Article 12 may amount up to 25% of the estimated value of the common procurement contract where at least one of the following conditions is met:
 - (a) the action entails cooperation throughout the entire lifecycle of a defence product, such as cooperation carried out in the framework of [a SEAP] or of a PESCO and/or EDA projects;
 - (b) the action supports the common procurement of restriction-free end products;
 - (c) the action results in the common procurement of additional quantities of defence products for Ukraine or Moldova.
6. For actions referred to in Article 13 (industrial reinforcement), the Union financial contribution shall not exceed 35% of the eligible costs.
7. By way of derogation to paragraph 6, the Union financial contribution to each action referred to in Article 13 may amount up to 50% of the eligible costs where at least one of the following conditions is met:

- (a) the beneficiary of the action is an SME or small mid-cap or a consortium of SMEs or small mid-caps;
 - (b) beneficiary sources more than 30% of the value of the end product from suppliers established in a Member State other than the one where the beneficiary is established.
8. For actions referred to in Article 14 (supporting actions) and Article 16 (EDPCIs), whenever the Union financial contribution takes the form of grants, by way of derogation from Article 190(1) of the Financial Regulation, the Programme may finance up to 100 % of the eligible costs].
9. The work programme shall lay down further details.

~~Article 20(a)~~

~~**Implementation of financing not linked to costs**~~

~~For actions referred to in Article 12, the support from the Programme shall not exceed 15% of the estimated value of the common procurement contract.~~