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WORKING DOCUMENT

From:	Commission
To:	Delegations
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products ('EDIP') - Commission non-paper on funding options for EDIP

Non-paper

Financing of the European Defence Investment Programme

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This non-paper examines possible additional funding options for the European Defence Investment Programme (EDIP).

1. Member States' voluntary contributions

Member States may choose to make additional voluntary contributions to EDIP/USI, in line with Article 6 of the proposed EDIP Regulation on additional financial resources.

Use of RRF allocations

In its Communication of 4 June '*NextGenerationEU – the Road to 2026'*[1] on how to further streamline Recovery and Resilience Plans (RRPs), the Commission suggested that Member States consider **voluntary national contributions from the RRF to the EDIP**, with a view to maximising the impact of EU funding and making the most of all available RRF resources. A number of Member States are currently in the process of adapting their RRF plans, which they could use for considering potential contributions to EDIP. In this context, it is essential to consider that all milestones and targets are to be implemented by the 31 August 2026 deadline.

In practice, the contribution to EDIP would be considered an RRF investment, to be implemented under the rules of EDIP for the benefit of the Member State concerned. The RRF measure would include a milestone on the signature of a contribution agreement. The current legal framework of the EDIP Regulation (Article 6) already provides for such voluntary transfers.

Use of SAFE loans

SAFE provides financial assistance to Member States in the form of loans guaranteed by the EU budget. The EDIP Regulation cannot add a legal obligation to Member States to use SAFE loans and channel them via EDIP. It is possible to shape the calls under EDIP in a way that is complementary to the procurement that is carried out under SAFE, by adding such elements into the award and selection criteria of the tenders.

It is not possible to assess *ex ante* the magnitude, nor establish a target amount in the EDIP Regulation, for contributions that are voluntary, including if and when linked to financial support under SAFE or from the RRF.

Should a Member State voluntarily decide to contribute to EDIP, the contribution agreement will stipulate that transferred funds must be used for the benefit of the contributing Member State. The contribution agreement will in a legally binding way define the amount of the contribution, the conditions under which it is provided, and the limitations on how the Commission may use the contribution, including specifying that the funds are used for the benefit of the Member State concerned. A transfer to EDIP would constitute externally assigned revenue.

2. Contributions by the third countries for participations in SAFE to be used for EDIP

According to the Article 17 of the SAFE Instrument regulation, contributions related to the participation of third countries with which the Union signed bilateral agreements should be used specifically for programmes supporting the Union defence industry, the Ukrainian defence industry and Ukraine, following rules of these programmes. EDIP's scope fulfils these criteria.

In September 2025 the EU has authorised negotiations with the UK and Canada regarding their participation in SAFE. While the amount of the financial contribution(s) is still to be defined in bilateral negotiations, **the financial contribution for the participation in SAFE from the UK and Canada could be channelled to support EDIP/USI** when available.

3. Availabilities within the current MFF (2026 & 2027 budgets)

The **MFF mid-term revision** in 2024 provided for a dedicated reinforcement of EUR 1.5 billion for defence (in addition to other reinforcement for other priorities).

The MFF mid-term revision established the 'EURI cascade' to cater for increased borrowing costs of NGEU. Under the cascade, the European Parliament and the Council as budgetary authority have agreed that every year 50% of the additional cost should be covered by existing availabilities (margins, special instruments) and 50% by the reuse of decommitments.

The **Parliament and the Council as budgetary authority may commit in the context of the EDIP trilogue agreement to continuously monitor budgetary availabilities towards a possible top up of EDIP/USI in the context of the 2026 and 2027 budgets' discussion**. A statement to that effect could be adopted as part of the trilogue conclusions (similarly to the Chips Act negotiations).

The Conciliation for the 2026 budget will start on 28 October and conclude by mid-November 2025. This period would be the first opportunity for the budgetary authority to monitor and assess availabilities for the 2026 budget.

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