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Proposal for a

COUNCIL REGULATION

**establishing the Security Action for Europe (SAFE) through the reinforcement of
European defence industry Instrument**

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Russia's military aggression against Ukraine has marked the dramatic return of territorial conflict and high-intensity warfare on European soil. This structural change in the European security and defence and European geopolitics, has led Member States to rethink their defence plans and capacities.

EU Heads of State or Government, meeting in Versailles on 10 and 11 March 2022, committed to “bolster European defence capabilities” in light of Russia's military aggression against Ukraine. These aims were reiterated in the Strategic Compass for Security and Defence. The Union has adopted two emergency instruments to face the immediate consequences of Russia's war of aggression against Ukraine, namely the Regulation establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA)¹ and the Regulation on supporting ammunition production (ASAP)². In view of the continuation of Russia's war of aggression, on 5th March 2023, the Commission and High Representative also presented a European Defence Industrial Strategy (EDIS)³ which highlighted that Member States were still buying predominantly alone and from abroad. This observation has been confirmed by the report on the future of European competitiveness, authored by Professor Mario Draghi⁴. EDIS consequently underlined the need for Member States to spend more, better, together and European in order to reverse negative trends affecting the European Defence Technological and Industrial Base (EDTIB) and effectively enhance the EU's defence industrial readiness.

The same date, the Commission also tabled the proposal for a European Defence Industry Programme (EDIP) to start implementing EDIS and address the structural consequences of Europe's new security context.

However, this security context has further drastically and brutally deteriorated since early 2025. The EU and its Member States now face an intensifying Russian aggression against Ukraine and a growing security threat from Russia. It is also now clear that this threat will persist in the foreseeable future, considering that Russia has shifted to a war-time economy enabling a rapid scaleup of its military capabilities and replenishment of its stocks. The European Council therefore underlined, in its conclusions of 6 March 2025, that “*Russia's war of aggression against Ukraine and its repercussions for European and global security in a changing environment constitute an existential challenge for the European Union*”.

At the same time, the United States, traditionally a strong ally, is clear that it believes it is over-committed in Europe and needs to rebalance, reducing its historical role as a primary security guarantor.

¹ [Regulation - EU - 2023/2418 - EN - EUR-Lex](#)

² [Regulation - 2023/1525 - EN - EUR-Lex](#)

³ Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: “A new European Defence Industrial Strategy: Achieving EU readiness through a responsive and resilient European Defence Industry”

⁴ The future of European competitiveness: Report by Mario Draghi, September 2024

Despite recent increased defence investment spending by Member States, current investment levels remain insufficient to compensate past underinvestment and to meet rapidly the massive defence products needs to deter autonomously the increasing threat posed by Russia.

In view of the unprecedented and rapid worsening of its security environment and the threat it poses for EU citizens and EU economy, the Union and its Member States must immediately and massively scale up their efforts to invest in their industrial capacity, hence ensuring their defence more autonomously. In this context, the Commission presented a 5-pillar ReArm Europe Plan to the European Council on 6 March 2025. It aims at addressing the urgency of the situation by unlocking up to EUR 800 billion.

This proposal for a Regulation is one of the pillars of this plan, aiming at mobilising the Union budget to support and accelerate national investments through a new financial EU instrument, the Regulation establishing the Security Action For Europe (SAFE) through the reinforcement of the European defence industry Instrument.

Second, the activation of the national escape clause of the Stability and Growth Pact will support Member States' public investments and expenditures in defence.

Third, the mid-term review of the Cohesion Policy will provide additional possibilities and incentives for Member States to increase funding to the defence sector in cohesion policy programmes.

The fourth and fifth pillars aims at mobilising private capital by accelerating the Savings and Investments Union and through the European Investment Bank.

This plan has been unanimously welcomed by the European Council.

Moreover, the Commission and the High Representative have presented, together with this draft Regulation, a White Paper on the future of European defence. It provides a framework for the ReArm Europe plan, laying out the case for a once-in-a-generation surge in European defence investment. It sets out the necessary steps to rebuild European defence, to support Ukraine, address critical capability shortfalls and establish a strong and competitive defence industrial base.

The magnitude and the speed of the increase of expenditure in defence industrial capabilities required from Member States and supported by the ReArm Europe Plan is likely to have, in the immediate future, a major impact on national public finances at a moment where the budgets of several Member States continue to be strained.

Therefore, the SAFE Instrument proposed by the European Commission to the Council is a temporary, emergency instrument to allow for Union financial assistance to Member States in the form of loans to enable them to carry out the urgent and major public investments in the European Defence Technological and Industrial Basis (EDTIB) which are required by the exceptional situation. This instrument aims to promote common procurement, allowing Member States to progress towards increased market efficiency in the defence sector.

The instrument will provide up to EUR 150 billion in loans to Member States for defence investment, which will allow procurement of defence capabilities in priority areas identified by the European Council. It will not only provide visibility to the Union's defence industry but also enable a rapid increase of its production capacity, improve the timely availability of defence products, speed up the development of new defence products or the upgrading of

existing ones. These priority areas are air and missile defence, artillery systems, missiles and ammunition, drones and anti-drone systems, strategic enablers and critical infrastructure protection, including in relation to space, cyber, artificial intelligence and electronic warfare, and military mobility.

This common procurement approach will benefit the Member States, as they will be able to reduce their costs, increase their efficiency in defence spending, as well as to significantly increase the interoperability of their armed forces.

One of the key additional benefits of this initiative is that it will enable Member States to provide immediate military equipment to Ukraine, which should help Member States to massively increase their support to the country's war efforts. The SAFE Instrument will enable Member States to decisively and collectively undertake the substantial investments necessary to address the current security environment and will incentivise them to do so in a collaborative manner. By leveraging and further developing the EDTIB, the SAFE Instrument will ensure its long-term competitiveness

The SAFE instrument should be accessible to all Member States that seek to significantly increase their defence investments in the EDTIB and are committed to doing so through collaborative efforts. The establishment of the SAFE Instrument is a further tangible expression of Union solidarity, whereby the Member States agree to support each other through the Union by making additional financial resources available through loans.

- **Consistency with existing policy provisions in the policy area**

The support under the SAFE instrument will be consistent and complementary with existing collaborative EU initiatives in the field of defence industrial policy.

It will complement the EU's main programme in this policy area, the European Defence Fund (EDF). The SAFE instrument will also build on the experience acquired in the context of other EU programmes, such as EDIRPA or ASAP. The SAFE instrument is fully consistent with the objectives outlined in EDIS to enhance the EU's defence industrial readiness and should contribute to the achievement of its above-mentioned targets. It should also be complemented by the EDIP, once adopted by Co-legislators with the necessary priority.

EDIP would notably provide for voluntary cooperation frameworks such as the Structure for European Armament Programmes (SEAP) and European Defence Project of Common Interest (EDPCI), which can offer avenues to facilitate and enable the Member States' collaborative efforts sought under the SAFE instrument. Finally, the SAFE instrument is part of the broader REARM Europe Plan, unveiled by the European Commission President on 4 March 2025.

- **Consistency with other Union policies**

The SAFE Instrument will build on the experience of SURE and the Recovery and Resilience Facility, offering a loan-based mechanism to support Member States in implementing investment plans aiming at supporting the Union's defence industry. By conditioning EU loans to common procurement and to the implementation of these plans, the SAFE instrument will incentivise Member States to invest in their defence manufacturing capacities, while promoting a coordinated European approach to defence industrial investments.

The SAFE Instrument will generate synergies with EU defence policy and the implementation of the Strategic Compass for Security and Defence. As the other defence industrial policy initiatives, it will be implemented in full consistency with the EU Capability Development

Plan (CDP) identifying the defence capability priorities at EU level, as well as with the EU Coordinated Annual Review on Defence (CARD), which inter alia identifies new opportunities for defence cooperation.

Finally, the SAFE Instrument will also complement EU initiatives to support Ukraine, such as the Ukraine Assistance Fund, the Ukraine Facility, the Ukraine Support Instrument or the Ukraine Loan Cooperation Mechanism. By making available EUR 150 billion to Member States for the common procurement of defence products, the Union will reinforce the ability of its Member States to transfer more defence capabilities to Ukraine, notably through the immediate and further provision of material from their national stocks.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis for this instrument is Article 122 of the Treaty on the Functioning of the European Union (TFEU).

The brutal deterioration of the Union's security context since the beginning of 2025 is a sudden and exceptional event entailing a massive and potentially disruptive impact on the supply of defence products essential for the defence and security interests of the Union and its Member States, which is likely to have a serious impact on the public finances of the Member States, calling for collective responses in a spirit of solidarity. Through the SAFE instrument, the Council, in a spirit of solidarity between Member States, would decide to provide to the Member States that wish to make use of it, a financial assistance mechanism tailored to address the unprecedented geopolitical context and the related public security challenges that justifies the intervention under Article 122 TFEU as an emergency instrument. This mechanism will allow Member States to engage quickly in public spending to the benefit of the European defence Technological and Industrial Base (EDTIB) with the objective to mitigate as soon as possible the severe difficulties in the supply of defence products that arise from this situation.

The organisation and management of the loan scheme allows the Council to provide, on a temporary and ad hoc basis, Union financial assistance, on a proposal from the Commission, to a Member State in difficulties or seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control subject to certain conditions such as the exceptional and unprecedented security context. This legal base would underpin the lending component of the SAFE Instrument.

Article 122 TFEU is the appropriate legal basis for financial assistance responding to crisis or exceptional event and is not confined to crises of a financial or financial stability nature. The Council has a broad margin of discretion for assessing whether it is necessary to have recourse to that instrument in a context of emergency. In the past, it has used this provision to provide financial assistance to Member States experiencing sudden and exceptional increases in public expenditure, such as during the COVID-19 pandemic, where it helped preserve employment (SURE Instrument)⁵. Similarly, the Council is entitled to invoke this provision in the current exceptional security context to provide financial assistance, through the SAFE

⁵ Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak.

instrument, to Member States that need to make urgent and massive investments in the EU's defence manufacturing capacities, through collaborative procurement, hence enhancing their military capabilities.

- **Subsidiarity (for non-exclusive competence)**

The planned measures of the present initiative are fully in line with the subsidiarity principle. The Union is faced with an emergency situation, which could potentially affect all its Member States and requires a combination of actions at Union level and at Member State level to rapidly scale up the EDTIB and ensure thereby a sufficient and autonomous production capacity of defence products. This instrument provides a contribution at Union level to the urgent need for Member States to address the increased needs of public spending in the production of defence equipment from Member States and Ukraine and complement the efforts that Member States will engage at national level. It takes into account the fact that the EDTIB remains to a large extent tailored for peacetime, due to the Member States' policy and budgetary choices in the past decades to allocate, in a different geopolitical context, the dividend of peace to other societal uses, and the need to allow them to adapt to the drastic deterioration of the geopolitical context.

Moreover, an action at Union level will have the additional value to ensure a ramp-up of the EDTIB which is beneficial for all the Member States. Indeed, in light of the urgent need for Member States to face current security threats and given the prevailing trend underlined in the European Defence Industrial Strategy, there is a systemic risk for the EU that Member States substantially increase their defence investments in an uncoordinated way and mostly to the benefit of non-EU defence manufacturers. Such an uncoordinated approach would likely result in significant inefficiencies in public spending, lead to a price spiral for defence equipment, and potentially crowding out of Member States having a limited purchasing power. Furthermore, such an uncoordinated approach would exacerbate the fragmentation of the EDTIB, severely undermining its long-term competitiveness. Therefore, there are compelling economic and policy justifications for promoting cooperation and common procurement among Member States, in line with the goals outlined in EDIS. In this context, EU-level action is crucial to ensure solidarity among Member States of and to guarantee their access to a competitive and efficient EDTIB.

The combined effect of a massive level of investment and such an aggregation of demand is expected to result in a very substantial defragmentation of the EDTIB and in a very significant increase of its manufacturing capacities. Such a signal will indeed enable the EDTIB to trigger a sufficient and proportionate ramp-up. There is currently or in the foreseeable future no other instrument at EU level with sufficient financial firepower to trigger such a demand signal to industry.

In addition, an action at Union level allows to introduce targeted derogations to Directive 2009/81/EC on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security in order to create the conditions to facilitate and accelerate the common procurement of defence procurement involving the financial assistance under this instrument, thus contributing to solve the situation of emergency justifying the use of this Instrument.

- **Proportionality**

The proposal respects the proportionality principle. It does not go beyond what is necessary to achieve the objectives sought by the instrument.

The derogations to the Financial Regulation, to Directive 2006/112/EEC and to Directive 2009/81/CE are strictly connected with the use of the financial assistance provided by this instrument and will be limited to the period under which this instrument deploys its effects.

- **Choice of the instrument**

This act takes the form of a Regulation because it creates a new specific and temporary instrument that could be used by any Member State and has to be binding in its entirety and directly applicable in all Member States. The form of a Regulation has been used in all the acts involving Article 122 TFEU.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

Due to the urgency to prepare the proposal so that it can be adopted in a timely manner by the Council, a stakeholder consultation could not be carried out.

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- **Impact assessment**

Due to the urgent nature of the proposal, no impact assessment was carried out.

- **Fundamental rights**

Right to life, liberty and security are enshrined in Article 2 and 6 of the Charter of Fundamental rights. Public security is also an overriding reason of public interest.

Moreover, enhancing the capacity of the Member States to defend the integrity of their territory and the security of EU citizens contributes to safeguarding their most fundamental rights.

The Regulation ensures a right balance between the protection of these fundamental rights and of the overriding public objective of public security and other fundamental rights such as the freedom to conduct a business and the freedom of contract which are provided for by Article 16 of the Charter of Fundamental Rights of the European Union. In particular, the Regulation provides for the possibility to substantially modify an existing framework agreement under Directive 2009/81/EC. However, such a possibility is conditioned to the prior agreement of the undertaking with which the framework agreement concerned has been concluded.

4. BUDGETARY IMPLICATIONS

The Commission should be able to contract borrowings on the financial markets in accordance with the diversified funding strategy.

The SAFE instrument will take the form of a lending scheme of up to EUR 150 billion underpinned by a guarantee from the Union under Article 2(3) of the MFF Regulation, while ensuring that the contingent liability for the Union arising from the instrument is compatible with the Union budget constraints, in line with Article 3(1) of the MFF Regulation and with Council Decision 2020/2053.

This Regulation provides for safeguards to ensure the financial solidity of the scheme:

- A rigorous and conservative approach to financial management;
- A construction of the portfolio of loans that limits concentration risk, annual exposure and excessive exposure to individual Member States whilst ensuring sufficient resources could be granted to Member States most in need; and
- Possibilities to roll over debt.

Given the temporary nature of the financing scheme of the SAFE instrument, the requests for the last instalment for loans shall be limited to 31 December 2030.

5. OTHER ELEMENTS

• Detailed explanation of the specific provisions of the proposal

Article 1 of the proposed Council Regulation provides for the establishment of the Security Action For Europe (SAFE) through the Reinforcement of European Defence Industry instrument. This instrument would be ad hoc and temporary in view of its legal basis. It would provide financial assistance under Article 223 of the Financial Regulation in support of Member States confronted with the need to carry out urgent and major public investments to support the European defence industry.

Article 2 of the proposed Regulation provides for definitions to be applied for the purposes of the Regulation, in particular definitions relating to defence products or common procurement.

Article 3 of the proposed Regulation stresses the complementary nature of the SAFE instrument. It should complement efforts undertaken by Member States at national level and should enable Member States to accelerate these investments, in a coordinated manner.

Article 4 of the proposed Regulation lays down the conditions for activating the instrument. Member States may request financial assistance where they plan to carry out activities, expenditures and measures through common procurement with the aim of supporting the adaptation of the EDTIB to the structural changes.

Article 5 of the proposed Regulation determines that financial assistance under the proposed SAFE instrument will take the form of a loan granted to the Member State concerned.

Article 6 of the proposed Regulation establishes the maximum amount of Union financial assistance that can be provided under the SAFE instrument and specifies a date up to which amounts of loans can be approved by the Commission based on presentation of a plan. It concerns an amount of up to EUR 150 billion.

Article 7 of the proposed Regulation sets out the content and the process for the submission of the European Defence Industry Investment Plan that Member States wishing to receive financial assistance under the SAFE instrument will have to submit to the Commission. The Commission will apply a three-stage process. As a first step, the Commission will launch a call for expressions of interest, requesting interested Member States to provide for a target for the financial assistance requested as well as an indicative maximum and minimum loan amount. The deadline for submission for expressions of interests should not exceed two months as of the entry into force of the Regulation. As a second step, the Commission notifies interested Member States, within two weeks following the end of the submission deadline, about the tentative allocations of the loan amounts available to each Member State. As a third

step, interested Member States submit their European defence industry investment plan within six months as of the entry into force of the Regulation.

The European Defence Industry Investment Plan will notably include a description of the activities, expenditures and measures planned by this Member State for which it requires financial assistance and notably a description of the defence product needs related to investment areas outlined in the conclusions of the European Council of 6 March 2025 as well as measures this Member State intends to implement to comply with the conditions included in the Regulation and obligations under EU law.

Article 8 of the proposed Regulation establishes the procedure for granting swiftly financial assistance to Member States. Following a request by a Member State accompanied by a duly substantiated European Defence Industry Investment Plan, the Commission would assess this plan to verify that it fulfils the conditions required under this Regulation. Elements such as the amount, the amount of the potential pre-financing, the assessment of the European Defence Industry Investment Plan should be included in the Commission Implementing Decision. In its Implementing Decision, the Commission shall give a sufficient explanation of its assessment, in particular were it to decide not to grant financial assistance to a Member State. This article also sets out the conditions for the Commission to launch a new call of expressions of interest before 31 December 2026 in case amounts remain available.

Articles 9 to 13 of the proposed Regulation contain the procedural rules for the disbursement and implementation of the loan support under the SAFE instrument. More specifically, they deal with rules on the operational arrangements, the borrowing and lending operations, the pre-financing, the rules on payment and suspension of loans and the prudential rules applicable to the portfolio of loans under the instrument.

Articles 14 and 15 of the proposed Regulation lay down rules on controls and audits and reporting.

Article 16 of the proposed Regulation sets out the eligibility conditions a Member State which benefits from the financial assistance under the SAFE Instrument shall comply with when carrying out a common procurement. These notably concern participation conditions for contractors and subcontractors involved in the common procurement supported by the SAFE instrument as well as specific conditions related to the products object of the common procurement supported by the SAFE instrument.

Article 17 of the proposed Regulation lays down the rules under which contractors or subcontractors of third countries other than EEA EFTA States and Ukraine can participate to common procurements supported by the SAFE instrument. The Article provides for a graduated approach ensuring a fair balance as regards potential third country commitments towards the Union, including their financial contributions, and the benefits of the third country concerned, in particular benefits for its industry participating in the common procurement as contractors or subcontractor involved in the common procurement.

Articles 18 and 19 of the proposed Regulation lay down rules aiming at facilitating and accelerating common procurement procedures. More specifically, they include a derogation from Directive 2009/81/EC in order to allow for the substantial modification of existing framework agreements for the benefit of a Member State which benefits from financial assistance under the SAFE instrument and a clarification that a common procurement involving at least one Member State which benefits from financial assistance under the SAFE

instrument could be awarded through a negotiated procedure without a prior publication of a contract notice.

Article 20 of the proposed Regulation provides for a temporary VAT exemption on importation and supply of defence products subject to common procurement under this instrument.

Article 21 of the proposed Regulation sets out the rules applicable to classified and sensitive information which may be involved in the implementation of the Regulation.

Proposal for a

COUNCIL REGULATION

establishing the Security Action for Europe (SAFE) through the reinforcement of European defence industry Instrument

(Text with EEA relevance)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 122 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Russia's war of aggression against Ukraine and its repercussions for European and global security constitute an existential challenge for the European Union.
- (2) In response to that challenge, in its conclusions of 6 March 2025, the European Council, recalling the Versailles Declaration of 11 March 2022⁶ and the Strategic Compass for Security and Defence adopted on 21 March 2022⁷, stressed that Europe must become more sovereign, more responsible for its own defence and better equipped to act and deal autonomously to cope with immediate and future challenges and threats. In that extraordinary European Council meeting, all Member States committed to reinforce their overall defence readiness, reduce strategic dependencies, address critical capability gaps and strengthen the European defence technological and industrial base accordingly across the Union so that it is in a position to better supply equipment in the quantities and at the accelerated pace needed.
- (3) On 18 May 2022, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy presented a Joint Communication⁸ on the Defence Investment Gaps Analysis and Way Forward, highlighting the existence, within the Union, of defence financial, industrial and capability gaps.
- (4) On 20 July 2023 the European Parliament and the Council adopted Regulation (EU) 2023/1525⁹ supporting ammunition production (ASAP), aimed at urgently supporting the ramp-up of manufacturing capacities of the European Union defence industry,

⁶ <https://www.consilium.europa.eu/media/54773/20220311-versailles-declaration-en.pdf>

⁷ <https://data.consilium.europa.eu/doc/document/ST-7371-2022-INIT/en/pdf>

⁸ Joint Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the Defence Investment Gaps Analysis and Way Forward, JOIN(2022) 24 final, 18 May 2022.

⁹ Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP) (OJ L 185, 24.7.2023, p. 7, ELI: <http://data.europa.eu/eli/reg/2023/1525/oj>).

secure supply chains, facilitate efficient procurement procedures, address shortfalls in production capacities and promote investments.

- (5) On 18 October 2023, the European Parliament and the Council adopted Regulation (EU) 2023/2418 on establishing an instrument for the reinforcement of the European defence industry through common Procurement (EDIRPA)¹⁰, aimed at supporting collaboration between Member States in the procurement phase to fill the most urgent and critical gaps, especially those created by the response to Russia's war of aggression against Ukraine, in a collaborative way.
- (6) On 14 and 15 December 2023, the European Council, in its conclusions, having considered work carried out to implement the Versailles Declaration and the Strategic Compass for Security and Defence, underlined that more needs to be done to fulfil the Union's objectives of increasing defence readiness. In order to achieve such readiness and defend the Union, a strong defence industry was considered to be a pre-requisite, requiring the European defence industry to become more resilient, innovative and competitive.
- (7) On 5 March 2024, the European Commission adopted a 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') in order to build on the experience acquired in the context of EDIRPA and ASAP and extend their logic in a more long-term and structured perspective.
- (8) However, since the beginning of 2025, there has been a stark deterioration of the Union's security context, linked not only to Russia's persistent threat and its intensified shift to a war-time economy and to the evolution of the war in Ukraine, but also to uncertainties stemming from the advent of a geopolitical situation in which the Union has to markedly step up its efforts to ensure its defence autonomously. That recent deterioration increases the level of threat to the European Union and requires that Member States launch, as a matter of emergency, massive public expenditures to scale up the European Defence Technological and Industrial Base (EDTIB). As a consequence, it also increases the need to accelerate, in a spirit of solidarity, the making available of Union support to those Member States which are likely to be threatened by serious difficulties due to the massive public investments needed, which may have an impact on their economic situation. Due to the time needed to develop products and ensure the ramp-up of the corresponding industrial production capacity, it becomes vital for the Union to start as soon as possible the support to these Member States so that they can very rapidly place orders, increase predictability for the defence industrial sector, incentivising it to invest in the very short term for the purpose of strengthening production capacities.
- (9) The magnitude and the speed of the increase of expenditure in defence industrial capabilities required from the Member States is likely to have a major impact on their public finances at a moment where the budgets of several Member States continue to be strained.

¹⁰ Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA), *OJ L*, 2023/2418, 26.10.2023.

- (10) This exceptional situation, not caused by the Member States and beyond their control, justifies that the Union takes urgent measures to make available to those of the Member States that want to invest in defence industrial production a temporary instrument that would provide them financial assistance in the form of the Security Action For Europe Instrument ('the SAFE instrument').
- (11) The SAFE instrument should enable urgent and major public investments in the European defence industry aiming at a rapid increase of its production capacity, improvement of the timely availability of defence products and speeding-up and adjustment to structural changes. As this Regulation is an exceptional and temporary response to an urgent and existential challenge, the financial assistance provided under it should only be made available for the purposes of addressing the adverse economic consequences of the deteriorating security situation and the immediate procurement needs of Member States contributing to increased defence industrial readiness of the EDTIB. This Instrument should be part of an overall effort at national and Union level to devote more resources for defence industrial investments to remedy the crisis situation arising from the current security threats. Other means of action should be engaged in parallel at Union and national level to accompany that effort, such as the activation of the existing flexibility within the framework of the Stability and Growth Pact.
- (12) The financial assistance under the SAFE instrument should be implemented by Member States in a manner that is consistent with the defence capability priorities commonly agreed by Member States within the framework of the Common Foreign and Security Policy (CFSP), the Member States' cooperation within the framework of the Permanent Structured Cooperation established by Council Decision (CFSP) 2017/2315¹¹, the European Defence Agency's (EDA) initiatives and projects, and the Union's civil and military assistance to Ukraine. When implementing this Regulation, the Member States should duly take into account the relevant activities carried out by the North Atlantic Treaty Organisation (NATO) and other partners where such activities serve the Union's security and defence interests.
- (13) Member States should be able to use the financial assistance under the SAFE instrument in synergy with other existing and future Union programmes, in particular to co-finance specific actions. In parallel, Union programmes supporting cooperation in the field of defence procurement or aiming more generally at supporting the competitiveness of the EDTIB might specifically provide for an additional Union support to common procurement benefitting from the financial assistance under the SAFE instrument or to economic operators involved in such a procurement to stimulate corresponding industrial ramp-up and further reinforce the effects of the instrument on the EDTIB.
- (14) In order to reduce the administrative burden for Member States, it should be possible for the Commission to consider, in the framework of relevant programmes and notably those supporting the cooperation in the field of common procurement, the information provided in the framework of this Regulation, and notably for the purpose of the reporting of the implementation of the financial assistance, to simplify the conditions of the application for financial support.

¹¹ Council Decision (CFSP) 2017/2315 of 11 December 2017 establishing permanent structured cooperation (PESCO) and determining the list of participating Member States (OJ L 331, 14.12.2017, p. 57, ELI: <http://data.europa.eu/eli/dec/2017/2315/oj>).

- (15) Lack of cooperation between Member States has led to inefficiencies and a multiplication of defence systems of the same kind within the Union, undermining the objective of protection of the Union territory pursued by the corresponding national investments while also resulting in fragmentation and sub-scale operations of significant parts of the EDTIB. To address that situation, beneficiary Member States should use the financial assistance provided under this Regulation to carry out common procurements. The eligible activities, expenditures and measures financed through defence common procurement should relate to the following priority areas identified by the European Council, taking into account the lessons learned from the war in Ukraine, in accordance with the work already done in the framework of the European Defence Agency ('EDA') and in full coherence with NATO: air and missile defence, artillery systems, including deep precision strike capabilities, missiles and ammunition, drones and anti-drone systems, strategic enablers, including in relation to space and critical infrastructure protection, military mobility, cyber, artificial intelligence and electronic warfare. Those common procurements should aim at speeding up the adjustment to structural changes of the production capacity of defence products, incentivising cooperation in the procurement phase, supporting the increase of production capacity, as well as development and acquisition of the related infrastructure, equipment and logistic services.
- (16) In order to urgently reinforce the Union industrial base in an efficient and autonomous manner, in the light of the recent evolution of the geopolitical situation and the exceptional threat to the security of the Union and the Member States, and thus increase the efficiency and added value to the financial assistance granted under the SAFE instrument, this Regulation should establish eligibility conditions for the use of the financial assistance by Member States. Contractors and subcontractors involved in the common procurement under this instrument should therefore be established and have their executive management structures in the Union, in EFTA members of the EEA ('EEA EFTA States') or in Ukraine, and use for the purposes of the common procurement infrastructure, facilities, assets or resources located on the territory of a Member State, an EEA EFTA State or Ukraine. In order to ensure that contractors and subcontractors involved in the common procurement do not contravene the security and defence interests of the Union and its Member States they should not be controlled by third countries or third country entities. In that context, control should be understood to be the ability to exercise a decisive influence on a legal entity directly, or indirectly through one or more intermediate legal entities.
- (17) In certain circumstances, it should be possible to derogate from the principle that legal entities involved in a common procurement use infrastructure, facilities, assets or resources located on the territory of a Member State, an EEA EFTA State or Ukraine, and are not subject to control by third countries or third-country entities. In that context, a legal entity established in the Union, EEA EFTA State or in Ukraine using infrastructure, facilities, assets or resources located outside the territory of a Member State, EEA EFTA State or Ukraine, and/or controlled by a third country or a third country entity may participate if strict conditions are fulfilled relating to the security and defence interests of the Union and its Member States, as established in the framework of the Common Foreign and Security Policy (CFSP) pursuant to Title V of the Treaty on European Union (TEU).
- (18) Legal entities established in the Union, EEA EFTA States or Ukraine and controlled by a third country which is not Ukraine nor an EEA EFTA State ('other third country') or another third-country entity, where allowed, should be eligible to participate in the

common procurement if they have been subject to screening within the meaning of Regulation (EU) 2019/452 and, where necessary, to appropriate mitigation measures or if guarantees approved in accordance with the national procedures of the Member State, EEA EFTA State or Ukraine in which they are established are made available to the Commission. Such guarantees should only be issued provided that strict conditions relating to the security and defence interests of the Union and its Member States, as established in the framework of the CFSP pursuant to Title V of the TEU, are fulfilled.

- (19) In order to ensure the timely availability and supply of defence products from the EDTIB and to accelerate its adjustment to structural change and thus reinforce the efficiency of the financial assistance granted, it is important to set minimum conditions related to the value generated within the Union. Therefore, common procurement contracts should contain a requirement that the costs of the components originating in the Union, EEA EFTA States or Ukraine are not lower than 65% of the estimated costs of the end-product.
- (20) For certain defence product, whose underlying technologies are not widely available in the Union, and which may be difficult to substitute at a large scale, additional conditions should be required to ensure Member States' armed forces freedom related to these products without limitations imposed by third countries. Where such products are subject to restrictions, contractors should have the legal ability, without any restriction from a third country or a third country entity, to replace those components causing the restrictions with components of EU origin that are free of those restrictions as well as to decide on the definition and evolution of the product concerned.
- (21) Eligibility conditions of the instrument pursue the objective of immediately ramping up the manufacturing capacities of the Union defence industry, while allowing for the necessary flexibility taking into consideration the internationalisation of supply chains for relevant products and technologies. In addition to Ukraine and EFTA EEA States, the SAFE instrument should also provide for the possibility for acceding countries, candidate countries and potential candidates, as well as third countries with whom the Union has entered into a Security and Defence Partnership (Non-Binding Instrument, NBI), to participate in common procurements under the SAFE instrument. Bilateral or multilateral agreements between the Union and one or more of those countries should also enable the possible participation of contractors and subcontractors established in the respective countries in common procurements under the SAFE instrument, according to terms and conditions to be defined in those agreements.
- (22) Member States wishing to obtain financial assistance under the SAFE instrument should submit a request to the Commission accompanied by a European defence industry investment plan. To facilitate the preparation of plans, the Commission and Member States should engage in exchanges with a view of identifying tentative allocations of the loan amounts. The Commission should assess all requests submitted by the Member States. When assessing national plans, the Commission should call upon the expertise of EDA or the EU Military Staff, where appropriate. The Commission should allocate the loan amounts to the Member States concerned by applying the principles of equal treatment, solidarity, proportionality and transparency, in particular if the sum of requested loan amounts exceeds the total maximum amount of financial assistance available under the SAFE instrument. Loans should be allocated among the Member States which apply in accordance with the principles of equal treatment, solidarity, proportionality and transparency. The European defence industry investment plans should describe measures to strengthen the resilience of the

European defence industrial sector, notably by facilitating the access to the defence market for SMEs, mid-caps and new defence players.

- (23) In order to facilitate the implementation of the European defence industry investment plan the Commission and each Member State concerned should enter into an operational arrangement with details concerning the disbursement of the financial assistance, including a tentative schedule of disbursement, and sign a loan agreement with the detailed terms of the loan support under the SAFE instrument. Pre-financing of 15 percent should be provided to allow a rapid start of the implementation of the activities, expenditure and measures under the SAFE instrument.
- (24) It is appropriate to organise the financial assistance under the diversified funding strategy provided for in Article 224 of the Financial Regulation (Regulation (EU, Euratom) 2024/2509) and established single funding method, which is expected to enhance the liquidity of Union bonds and the attractiveness and cost-effectiveness of Union issuances. For prudential reasons related to the management of the loan portfolio, the share of loans granted to the three Member States representing the largest share of the loans granted should not exceed 60 per cent of the maximum amount of financial assistance under the Instrument.
- (25) Common procurements should involve at least two participating countries that are Member States, EEA EFTA States or Ukraine, out of which at least one should be a Member State benefiting from loan support under the SAFE instrument. In addition, acceding countries, other candidate countries and potential candidates, and other third countries with whom the Union has entered a Security and Defence Partnership (NBI) should be allowed to participate in common procurements made with a Member State supported with the financial assistance under the SAFE instrument. The inclusion of EEA EFTA States and Ukraine among the countries that may make up the minimum required number for a common procurement is justified respectively by those countries' close partnership with the Union in industrial defence production and by the fact that Ukraine is directly faced with Russia's ongoing war of aggression. Member States are also encouraged to further support Ukraine with the equipment procured with the financial assistance of the SAFE instrument. The participation of these third countries to common procurements awarded to the EDTIB or the Defence and Technology Industrial Base of Ukraine or of EEA EFTA States should increase the level of aggregation of demand necessary to obtain a scale-up of industrial capacity and provide support to the interoperability of systems and products deployed by the Union's closest partners in this area while potentially allowing the Member States which participate in these those procurements to obtain better prices.
- (26) Directive 2009/81/EC of the European Parliament and of the Council sets out a legislative framework on the coordination of procurement procedures for the award of contracts in the fields of defence and security, taking into account the security requirements of Member States and the obligations arising from the Treaty. That Directive sets out specific rules applicable in cases of urgency resulting from a crisis, such as shortening periods for the receipt of tenders and the possibility to use the negotiated procedure without prior publication of a contract notice. In order to reinforce the efficiency of the SAFE instrument to address, in a spirit of solidarity, the situation of emergency arising from the evolution of the geopolitical situation, it is necessary that massive investments in the EDTIB are launched as soon as possible.
- (27) For that purpose, the award of the contracts based on common procurements involving at least one Member State supported by the financial assistance under the SAFE

instrument should be facilitated. Therefore, Member States carrying out common procurements using the assistance provided under the SAFE instrument should be deemed to be in a situation of urgency resulting from a crisis, which justifies the use of a negotiated procedure without publication of a contract notice as provided for in Directive 2009/81/EC. Moreover, in order to safeguard the security interests of the Member States which participate in common procurements supported by the SAFE instrument, it is also necessary to provide for the possibility of opening an existing framework agreement or contract to contracting authorities of Member States that were not originally parties to that agreement, even though the latter had not initially provided for such a possibility, on condition that the prior consent of the undertaking which concluded the framework agreement is obtained.

- (28) This instrument aims at contributing to an overriding interest of public security which consists in accompanying the financial efforts of the Member States to ensure, via a scale-up of the EDTIB, a timely availability and supply of defence products that will allow the Member States to be prepared for any kind of aggression. Through the use of eligibility conditions, it aims to support the competitiveness and the industrial readiness of the EDTIB which are necessary to improve the capacity of the Member States to defend the territory of the Union and of its Member States in an efficient and autonomous manner. It also pursues an ancillary objective of increasing, through the use of common procurements, the level of interoperability of defence products. To accompany these efforts, it is appropriate, in a spirit of solidarity and in order to ensure the financial sustainability of the effort that is necessary to address the severe difficulties in the availability of defence products, to take measures to avoid having to finance taxes on these expenditures upfront. Defence products acquired under common procurements involving the contribution of this instrument should therefore be exempted from the value added tax (VAT), by the introduction of a temporary exemption from VAT under Directive 2006/122/CEE. This exemption should be limited in time and only apply for the duration of the contracts resulting from common procurements under the SAFE instrument.
- (29) The Union remains fully committed to international solidarity. Any measures deemed necessary taken under this Regulation, including those necessary to prevent or relieve critical shortages, should be implemented in a manner that is targeted, transparent, proportionate, temporary and consistent with WTO obligations.
- (30) It should be possible for the Commission and Member States to engage in communication activities to ensure the visibility of Union funding and, as appropriate, to ensure that support under the SAFE instrument is communicated and acknowledged through a funding statement.
- (31) This Regulation is without prejudice to each Member State having the sole responsibility for its national security, as provided for in Article 4(2) TEU, and the right of each Member State to protect its essential security interests in accordance with Article 346 TFEU.
- (32) In order to allow for the implementation of this Regulation to start as soon as possible, with a view to reaching its objectives, it should enter into force as a matter of urgency,

HAS ADOPTED THIS REGULATION:

Article 1

Subject matter and scope

This Regulation establishes the Security Action For Europe (SAFE) through the Reinforcement of European Defence Industry Instrument (the ‘SAFE instrument’) providing financial assistance to Member States allowing them to carry out urgent and major public investments in support of the European defence industry.

This Regulation sets out the conditions and procedures under which the financial assistance under the SAFE instrument shall be provided to and implemented by the Member States and lays down the rules on simplified and accelerated common procurement procedures for the acquisition of defence products and other products for defence purpose belonging to the following categories:

- Category one: ammunition and missiles; artillery systems; small drones (NATO class 1) and related anti-drone systems; critical infrastructure protection; cyber and military mobility.
- Category two: air and missile defence; drones other than small drones (NATO class 2 and 3) and related anti-drone systems; strategic enablers; space assets protection; artificial intelligence and electronic warfare.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘defence product’ means goods, services and works that fall within the scope of Directive 2009/81/EC, as set out in Article 2 thereof;
- (2) ‘other products for defence purposes’ means any good, service and work other than those falling within the scope of Directive 2009/81/EC, as set out in Article 2 thereof, which are necessary for or aimed at defence purposes;
- (3) ‘common procurement’ means the procurement procedure of defence products or other products for defence purpose and the resulting contracts, carried out by at least one Member State receiving financial assistance under this instrument and one additional Member State or one Member of the European Free Trade Association which are members of the European Economic Area (‘EEA EFTA States’) or Ukraine. In addition, the common procurement may include acceding countries, candidate countries and potential candidates, and other third countries with whom the Union has entered a Security and Defence Partnership (Non-Binding Instrument, NBI).

Article 3

Complementary nature of the SAFE instrument

The SAFE instrument shall complement the measures taken by the Union as well as by Member States to carry out urgent and major public investments to support the European defence industry.

Article 4

Conditions for using the SAFE instrument

1. A Member State may request financial assistance under the SAFE instrument ('financial assistance') for activities, expenditures and measures related to defence products or other products for defence purpose carried out through common procurements respecting the eligibility rules set out in Article 16 and aiming at, in particular:
 - (a) speeding up the adjustment of the defence industry to structural changes, including through the creation and ramp-up of its manufacturing capacities as well as related supporting activities;
 - (b) improving the timely availability of defence products, including through the reduction of their delivery lead time, reservation of manufacturing slots or stockpiling of defence products, intermediate products or raw materials;
 - (c) ensuring interoperability and interchangeability across the Union.
2. A Member State may use financial assistance under the SAFE instrument in synergy with other Union programmes in accordance with the rules of those programmes. Financial assistance under the SAFE instrument may also be used to finance activities which have received a Union contribution under another Union programme.
3. By derogation to paragraph 1, procurements carried by one Member State may be eligible for support under the SAFE instrument during 12 months after the entry into force of the Regulation. Where a Member State includes such a procurement in the plan referred to in Article 7(2), it shall actively take all necessary steps to extend the benefit of the contract concerned to at least one additional Member State or one EEA EFTA State or Ukraine, in addition to any interested acceding country, candidate country, potential candidate, or other third country with whom the Union has entered a Security and Defence Partnership. Eligibility conditions established in Article 16(2) to (12) shall apply *mutatis mutandis*.

Article 5

Form of the financial assistance

The financial assistance shall take the form of a loan granted by the Union to the Member State concerned.

Article 6

Maximum amount of financial assistance

The maximum amount of financial assistance in the form of loans provided under the SAFE instrument shall be EUR 150 000 000 000.

Article 7

Request for financial assistance and European defence industry investment plan

1. Within six months as of the entry into force of this Regulation a Member State wishing to receive financial assistance shall send a request to the Commission. The request shall be accompanied by a plan ('European defence industry investment plan').

2. The European defence industry investment plan shall be duly reasoned and substantiated. It shall set out the following elements:
 - (a) description of the defence product and other products for defence purposes needs related to:
 - (1) Category one: ammunition and missiles; artillery systems; small drones (NATO class 1) and related anti-drone systems; critical infrastructure protection; cyber and military mobility.
 - (2) Category two: air and missile defence; drones other than small drones (NATO class 2 and 3) and related anti-drone systems; strategic enablers; space assets protection; artificial intelligence and electronic warfare.
 - (b) description of the planned activities, expenditures and measures in accordance with Article 4;
 - (c) where relevant, the description of the foreseen involvement of Ukraine in the planned activities, expenditures and measures, or of foreseen actions for the benefit of Ukraine;
 - (d) description of the planned measures aimed at ensuring compliance with Article 16 and procurement rules, including a description of how their respect is to be ensured; and
 - (e) any other relevant information.
3. Member States shall indicate, where appropriate, synergies with the European defence industry investment plans of other Member States, with activities carried out on the level of the Union.
4. Where relevant, Member States shall include a description of activities to strengthen security of supply and resilience, in particular by facilitating the access to the defence market for SMEs, mid-caps and new defence players.
5. When preparing their European defence industry investment plans, Member States may request the Commission to organise an exchange of good practices in order to allow the requesting Member States to benefit from the experience of other Member States.
6. Member States may submit to the Commission an amended request for financial assistance accompanied by an amended European defence industry investment plan when duly justified by a change of the planned expenditure or measures and subject to the availability of loan amounts.

Article 8

Decision on the request for financial assistance

1. The Commission shall assess the European defence industry investment plan referred to in Article 7(1) and take a decision on that request without undue delay.
2. Where the Commission finds that the request fulfils the conditions laid down in this Regulation, in particular in Articles 4, 7(2) and 16, the Commission shall make available the financial assistance by means of an implementing decision. The Commission implementing decision shall contain:
 - (a) an assessment of the plan referred to in Article 7(1) including the elements of the plan referred to in Article 7(2);

- (b) the amount of the loan and the amount of the loan support to be paid in form of pre-financing in accordance with Article 11;
- 3. The Commission shall in all cases communicate its assessment of the request to the Member State concerned, providing it with reasons for its assessment.
- 4. When adopting an implementing decision pursuant to paragraph 2, the Commission shall consider existing and expected financing needs of the requesting Member State, as well as requests for financial assistance pursuant to this Regulation already submitted or planned to be submitted by other Member States, while applying the principles of equal treatment, solidarity, proportionality and transparency.
- 5. Where following the adoption of the implementing decision referred to in paragraph 2, amounts remain available for the financial assistance under the SAFE instrument, the Commission may publish a new call for expression of interest by 31 December 2026. In such a case, the procedure set out in Article 7 and in paragraphs 1 to 4 shall apply *mutatis mutandis*.
- 6. An implementing decision pursuant to paragraph 2 may be adopted until 30 June 2027.

Article 9

Borrowing and lending operations

- 1. In order to finance support under the SAFE instrument in the form of loans, the Commission shall be empowered, on behalf of the Union, to borrow the necessary funds on the capital markets or from financial institutions in accordance with Article 224 of Regulation (EU, Euratom) 2024/2509.
- 2. The borrowing and lending operations under the SAFE instrument shall be carried out in euros.

Article 10

Loan agreement and operational arrangements

- 1. Upon adoption of the Commission implementing decision referred to in Article 8(2), the Commission shall enter into a loan agreement and operational arrangements with the Member State.
- 2. The loan agreement shall lay down the availability period and the detailed terms of the support under the SAFE instrument in the form of loans. The loan agreement shall have a maximum duration of 45 years. In addition to the elements laid down in Article 223(4) of Regulation (EU, Euratom) 2024/2509, the loan agreement shall contain the amount of pre-financing and rules on clearing of pre-financing.
- 3. The operational arrangements shall set out the relationship between the implementation of a European defence industry investment plan and the corresponding financial assistance, including a tentative schedule of disbursement of the loan instalments, with yearly ceiling as appropriate. In addition, these operational arrangements shall set out types of documentary evidence and control rules related to the fulfilment of the specific eligibility rules applied by the Member States in accordance with Article 16, and the detailed elements referred to in Article 14.

Article 11
Pre-financing

1. Member States may request, as part of their European defence industry investment plan, a pre-financing payment of an amount of up to 15 percent of the loan support.
2. The disbursement of pre-financing shall be subject to the entry into force of the loan agreement referred to in Article 10(2). The loan agreement may provide that payment of pre-financing is conditional upon conclusion of the operational arrangements referred to in Article 10(3).
3. The payments shall be made subject to the availability of funding. The pre-financing may be disbursed in one or more tranches.

Article 12
Rules on payments of instalments and suspension of loans

1. The period of availability of the loan which corresponds to the period during which payments to the Member State concerned under this Article may be approved, shall be until 31 December 2030. Payments shall be made in instalments, subject to the availability of funding. An instalment may be disbursed in one or more tranches.
2. Upon submission of the progress report referred to in Article 14(2), the Member State concerned may submit to the Commission a duly justified request for payment. Such request for payment may be submitted by the Member States to the Commission twice a year.
3. The Commission shall assess without undue delay the completeness, correctness and coherence of the progress report referred to in Article 14(2). Where the Commission makes a positive assessment, it shall adopt without undue delay a decision authorising the disbursement of the loan instalment.
4. Where, as a result of the assessment referred to in paragraph 3, the Commission concludes that the report referred to in Article 14(2) is unsatisfactory, the payment of all or part of the loan shall be suspended. The Member State concerned may present its observations within one month of the communication of the Commission's assessment.

Article 13
Prudential rules applicable to the portfolio of loans

The share of loans granted to the three Member States representing the largest share of the loans granted shall not exceed 60 per cent of the maximum amount referred to in Article 6(1).

Article 14
Control and audits

1. The loan agreement shall contain the necessary provisions regarding controls and audits as required by Article 223(4) of Regulation (EU, Euratom) 2024/2509.
2. Where a duly justified request for payment is submitted in accordance with Article 12, the beneficiary Member State shall also submit to the Commission the six-monthly progress report duly justifying incurred and upcoming expenditure and other necessary elements.

Article 15

Reporting

1. The Commission shall provide the European Parliament and the Council with an annual report on the use of financial assistance.
2. Where appropriate, the report shall be accompanied by a proposal for the extension of the period of availability of the SAFE instrument.

Article 16

Eligibility rules on common procurement supporting defence industry investments

1. Common procurements shall be eligible for support under the SAFE instrument only if they comply with the eligibility conditions set out in this Article.
2. Common procurement procedures and contracts of defence products shall include the participation requirements for contractors and subcontractors involved in the common procurement set out in paragraphs 3 to 11 and 13, without prejudice to conditions agreed in agreements referred to in Article 17.
3. Contractors and subcontractors involved in the common procurement shall be established and have their executive management structures in the Union, EEA EFTA State or Ukraine. They shall not be subject to control by a third country which is not Ukraine nor an EEA EFTA State or by another third-country entity which is not established in the Union, in Ukraine or in an EEA-EFTA State.
4. By way of derogation from paragraph 3, a legal entity established in the Union and controlled by another third country or by another third-country entity may participate in the common procurement if it has been subject to screening within the meaning of Regulation (EU) 2019/452 of the European Parliament and of the Council and, where necessary, to appropriate mitigation measures, or if it provides guarantees verified by the Member State in which the contractor or subcontractor involved in the common procurement is established. The guarantees shall provide assurances that the involvement of the contractor or subcontractor in the common procurement does not contravene the security and defence interests of the Union, and the Member States as established in the framework of the common foreign and security policy pursuant to Title V of the TEU.
5. The guarantees referred to in paragraph 4 may be based on a standardised template provided by the Commission and shall be part of the tender specifications, in order to ensure a harmonised approach throughout the Union. The guarantees shall, in particular, substantiate that, for the purposes of the common procurement, measures are in place to ensure that:
 - (a) control over the contractor or subcontractor involved in the common procurement is not exercised in a manner that restrains or restricts its ability to fulfil the order and to deliver results; and
 - (b) access by a third country or by a third-country entity to classified information relating to the common procurement is prevented and the employees or other persons involved in the common procurement have a national security clearance issued by a Member State in accordance with national laws and regulations.
6. The contracting authority conducting the common procurement shall provide the Commission with a notification on the mitigation measures applied within the

meaning of Regulation (EU) 2019/452 or the guarantees referred to in paragraph 4. Further information on the mitigation measures applied or the guarantees shall be made available to the Commission upon request.

7. The infrastructure, facilities, assets and resources of the contractors and subcontractors involved in the common procurement which are used for the purposes of the common procurement shall be located in the territory of a Member State, an EEA EFTA State, or Ukraine. Where contractors or subcontractors involved in the common procurement have no readily available alternatives or relevant infrastructure, facilities, assets and resources on the territory of a Member State, an EEA EFTA State, or Ukraine, they may use their infrastructure, facilities, assets and resources which are located or held outside those territories, provided that such use does not contravene the security and defence interests of the Union and its Member States.
8. The cost of components originating in the Union, in EEA EFTA States or Ukraine shall not be lower than 65 % of the estimated cost of the end product. No component shall be sourced from another third country that contravenes the security and defence interests of the Union or its Member States.
9. For defence products related to category two as referred to in point (a) (2) of Article 7(4), contractors shall have the ability to decide, without restrictions imposed by third countries or by third-country entities, on the definition, adaptation and evolution of the design of the defence product procured, including the legal authority to substitute or disassemble components that are subject to restrictions imposed by third countries or by third-country entities.
10. For the purposes of this Article, ‘subcontractors involved in the common procurement’ means any legal entity which provides critical inputs that possess unique attributes essential for the functioning of a product and which is allocated at least 15 % of the value of the contract.
11. Member States shall ensure that the procurement procedures and contracts for other products for defence purpose resulting from the common procurement receiving support under this Instrument contain appropriate eligibility conditions to protect the security and defence interests of the Union and the Member States.
12. Member States shall detail, in the plan referred to in Article 7, eligibility conditions in line with paragraphs 3 to 11 and 13, without prejudice to conditions agreed in agreements referred to in Article 17. Financial assistance shall be conditional upon presentation with the progress report of information indicated in the operational arrangements referred to in Article 10.
13. Member States may use the financial assistance provided under the SAFE instrument to finance their participation in procurement procedures carried out in accordance with Article 168(2) or (3) of Regulation (EU, Euratom) 2024/2509. In this case, by way of derogation from Article 168(2) and (3) of Regulation (EU, Euratom) 2024/2509, third countries participating in the common procurement may also participate in and benefit from any procurement mechanisms set out in Article 168(2) and (3) of Regulation (EU, Euratom) 2024/2509.

Article 17

Conditions for the participation of other third countries entities and products

1. The Union may conclude bilateral or multilateral agreements with like-minded countries, namely acceding countries, candidate countries other than Ukraine and potential candidates, and other third countries with whom the Union has entered a Security and Defence Partnership (NBI) in order to open the eligibility conditions referred to in Article 16 to the possibility to fulfil the criterion of location, origin or place of establishment to those countries and their territories, in accordance with paragraphs 2 and 3, whenever these countries participate in a common procurement under the SAFE instrument.
2. The bilateral or multilateral agreement referred to in paragraph 1 shall specify which of the eligibility conditions referred to in Article 16 are opened to being fulfilled through location, origin or place of establishment in the third country or third countries that are parties to the Agreement, and their territories, and under which conditions. It shall lay down, in particular and where appropriate:
 - (a) the conditions and modalities of participation of contractors and subcontractors established in the third country in the common procurement under the SAFE instrument;
 - (b) the rules related to the location of the infrastructure, facilities, assets and resources of the contractors or subcontractors involved in the common procurement which are used for production of defence products or other products for defence purposes supplied under the contracts resulting from common procurements under the SAFE instrument;
 - (c) the rules related to the costs of components originating in the third country;
 - (d) the rules related to restrictions imposed by third countries or by third country entities, on the definition, adaptation and evolution of the design of the defence product procured with the support of the SAFE instrument.
3. The bilateral or multilateral agreement shall:
 - (a) ensure a fair balance as regards the contributions and benefits of the third country;
 - (b) lay down the conditions of any financial contribution to be provided by the third country to the Union;
 - (c) lay down any other appropriate measures governing the security of supply of the procured product.
 - (d) contribute to an increase in the standardisation of defence systems and a greater interoperability between Member States' and these other third countries' capabilities.
4. The contributions referred to in point (b) of paragraph 3 shall constitute external assigned revenues in accordance with Article 21(5) of the Financial Regulation and shall be used for programmes supporting the Union defence industry, the Ukrainian defence industry and Ukraine in accordance with the rules of those programmes.

Article 18

Modification of framework agreements or contracts

1. Where a common procurement is supported by the SAFE instrument, the rules provided for in paragraphs 2 to 4 shall apply to an existing framework agreement or contract that has as its object the purchase of defence products, is financed at least by one of the participating Member States in full or in part with the loan awarded under the SAFE instrument, and do not include rules governing the possibility to substantially amend it. When applying paragraphs 2 and 3, the contracting authority that concluded the framework agreement or contract shall obtain the prior agreement of the undertaking with which it has concluded the framework agreement or contract.
2. A contracting authority of a Member State may modify an existing framework agreement or contract for defence products, where that framework agreement has been concluded with an undertaking complying with criteria equivalent to those laid down in Article 16(3) to (11), in order to add new contracting authorities from countries participating in the common procurement as parties to that framework agreement or contract. Article 29(2), first subparagraph, of Directive 2009/81/EC, shall not apply to the contracting authorities not originally party to the framework agreement.
3. By way of derogation from Article 29(2), third subparagraph, of Directive 2009/81/EC, a contracting authority of a Member State may make substantial amendments to the quantities set out in a framework agreement or contract, with an estimated value above the thresholds laid down in Article 8 of Directive 2009/81/EC, where that the framework agreement or contract has been concluded with an undertaking complying with criteria equivalent to those laid down in Article 16(3) to (11) of this Regulation, and insofar as the modification is strictly necessary for the application of paragraph 2.
4. For the purpose of the calculation of the value referred to in paragraph 3, the updated value shall be the reference point when the contract includes an indexation clause.
5. A contracting authority which has modified a framework agreement or contract in the cases referred to in paragraph 2 or 3 shall publish a notice to that effect in the Official Journal of the European Union in accordance with Article 32 of Directive 2009/81/EC.
6. In the cases referred to in paragraphs 2 and 3, the principle of equal rights and obligations shall apply between the contracting authorities which are party to the framework agreement or contract, in particular regarding the cost of additional quantities procured.

Article 19

Cases justifying use of the negotiated procedure without publication of a contract notice in the context of a common procurement supported by the SAFE instrument

Common procurements involving at least one Member State receiving financial assistance under the SAFE instrument shall be deemed to satisfy the condition of urgency resulting from a crisis for the purposes of Article 28(1), point (c) of Directive 2009/81/CE.

Article 20

Temporary VAT exemption on importation and supply of defence products

For the purpose of this Regulation, the supplies, including importation and intra-Union supplies, of defence products or other products for defence purpose which are supplied under contracts resulting from common procurements under the SAFE Instrument shall be temporarily exempted from the value added tax by derogation to Article 2(1) of the Directive 2006/112/EC.

Article 21

Application of the rules on classified information and sensitive information

1. The Commission shall use a secured exchange system in order to facilitate the exchange of classified information and sensitive information between the Commission and the Member States and, where appropriate, with the contractors or other final recipients.
2. The Commission shall have access to information, including classified information, strictly necessary for the purpose of verifying conditions for disbursement of payments and carrying out the checks, reviews, audits, investigations, as well as the controls, audits and reports, as referred to in Article 14.

Article 22

Information, communication and publicity

1. The Commission and the Member States may engage in communication activities to ensure the visibility of the Union for the financial assistance envisaged in the relevant European defence investment plans, including through joint communication activities with the national authorities concerned, while duly taking into account security requirements. The Commission may, as appropriate, ensure that support under this Instrument is communicated and acknowledged through a funding statement.
2. The Member States benefitting from the financial assistance under the SAFE instrument shall ensure the visibility of the Union financial assistance, while duly taking into account security requirements, including, where applicable, by displaying the emblem of the Union and an appropriate funding statement that reads ‘supported by the European Union – SAFE’, in particular when promoting the common procurements and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.
3. The Commission shall implement information and communication actions relating to the Instrument, to actions taken pursuant to the Instrument and to the results obtained. The Commission shall, where appropriate, inform the representation offices of the European Parliament of its actions and involve them in those actions.

Article 23

Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.
Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL AND DIGITAL STATEMENT

| | | |
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1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a COUNCIL REGULATION establishing the Security Action For Europe (SAFE) through the Reinforcement of European Defence Industry Instrument

1.2. Policy area(s) concerned

Defence industry

1.3. Objective(s)

1.3.1. General objective(s)

Not applicable.

The proposed Regulation is an emergency measure put forward by the Commission to the Council with a view to provide Union financial assistance to Member States in a spirit of solidarity in order to help them to carry out urgent and major public investments to support the European defence industry.

1.3.2. Specific objective(s)

Specific objective No

Not applicable

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The aim of the proposed SAFE instrument is to lay down the rules enabling the Union to provide financial assistance to a Member State, which is experiencing, or is seriously threatened with, a severe economic disturbance caused by Russia's unprovoked and unjustified war of aggression against Ukraine.

Specifically, the SAFE instrument provides financial assistance for activities, expenditures and measures related to defence products carried out through common procurement aiming at:

- (a) speeding up, in a collaborative manner, the adjustment of defence industry to structural changes, including through the creation and ramp-up of its manufacturing capacities as well as related supporting activities;
- (b) improving the timely availability of defence products, including through the reduction of their delivery lead time, reservation of manufacturing slots or stockpiling of defence products, intermediate products or raw materials;
- (c) ensuring interoperability and interchangeability across Europe; and

It sets out the conditions and procedures for providing and implementation the financial assistance under the Instrument by the Member States, and for simplification and acceleration of the procedures of common procurement.

1.3.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

1.4. The proposal/initiative relates to:

- ☒ a new action
- ☐ a new action following a pilot project / preparatory action¹²
- ☐ the extension of an existing action
- ☐ a merger or redirection of one or more actions towards another/a new action

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The proposed SAFE instrument is based on Article 122 (1) and (2) TFEU.

This legal basis prescribes that:

- appropriate measures can be taken by the Union to respond in a spirit of solidarity between Member States to a specific economic situation.
- Union financial assistance can be granted when a Member State is faced with difficulties or threatened by difficulties caused by an exceptional occurrence beyond its control but subject to conditions.

Currently, Member States are facing a severe economic disturbance caused by Russia's unprovoked and unjustified war of aggression against Ukraine which has strong negative socio-economic impacts in Member States .

1.5.2. Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.

The proposal aims to offer financial support in a spirit of European solidarity with those Member States that are heavily affected. Such financial assistance supports on a temporary basis Member States' increased public expenditure as is by means of loans in order to help them to carry out urgent and major public investments to support the European defence industry.

The Instrument should allow to carry out urgent and major public investments to the European defence industry aiming at rapid increase of its production capacity, improvement of the timely availability of defence products, speeding up and adjustment to structural changes as well as the industrial development of new defence products or the upgrading of existing ones, to accompany their effort to rapidly increase the production capacity of the European defence industry, thus improving the supply of defence products..

1.5.3. Lessons learned from similar experiences in the past

When the Union was confronted with a grave financial crisis a decade ago, the legal basis of Article 122 of the Treaty on the Functioning of the European Union (TFEU) has proven it is added value to mobilise at short notice financial assistance from the Union to Member States faced with difficulties caused by an exceptional event

¹² As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

beyond their control. The Union adopted on this legal basis Regulation (EU) No 407/2010 of the Council of 11 May 2010 establishing a European Financial Stabilisation Mechanism (EFSM). This instrument provided Union financial assistance to Portugal, Ireland and a bridge financing to Greece by means of back-to-back-loans. This legal basis has also been used to provide financial assistance to Member States that were facing severe economic disturbance caused by the COVID-19 crisis for the financing of short-time work or similar measures aimed to protect employees and self-employed and thus reduce the incidence of unemployment (SURE).

The legal basis and the technique are however not confined to financial crisis or health crisis events only but to any exceptional occurrence beyond Member States' control and could therefore also be used in this particular crisis event of the current security situation and the impact it has on the European economy.

1.5.4. Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments

The proposed SAFE instrument complements the Union support to Ukraine initiatives, in particular the Ukraine Facility, and the emergency instruments in support of European defence industry adopted in response of Russia's war of aggression against Ukraine, in particular the ASAP Regulation, EDIRPA Regulation and the upcoming EDIP Regulation.

1.5.5. Assessment of the different available financing options, including scope for redeployment

Not applicable

1.6. Duration of the proposal/initiative and of its financial impact

☒ **limited duration**

- ☐ in effect from [DD/MM]2025 to [31/12]2030
- ☐ financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

☐ **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. Method(s) of budget implementation planned¹³

☒ **Direct management** by the Commission

- ☐ by its departments, including by its staff in the Union delegations;
- ☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated
- ☐ international organisations and their agencies (to be specified)
- ☐ the European Investment Bank and the European Investment Fund
- ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation
- ☐ public law bodies
- ☐ bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees
- ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees
- ☐ bodies or persons entrusted with the implementation of specific actions in the common foreign and security policy pursuant to Title V of the Treaty on European Union, and identified in the relevant basic act
- ☐ bodies established in a Member State, governed by the private law of a Member State or Union law and eligible to be entrusted, in accordance with sector-specific rules, with the implementation of Union funds or budgetary guarantees, to the extent that such bodies are controlled by public law bodies or by bodies governed by private law with a public service mission, and are provided with adequate financial guarantees in the form of joint and several liability by the controlling bodies or equivalent financial guarantees and which may be, for each action, limited to the maximum amount of the Union support.

Comments

¹³ Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: <https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx>.

The proposed Regulation is based on Article 122 TFEU. Hence, it can only be of a temporary nature. Giving the need to swiftly place orders with the European defence industry and to ensure industrial capacity building, this Regulation should be limited to 5 years.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

The proposed Regulation provides for a reporting clause (Article 15). The Commission should forward to the European Parliament and the Council, within one year following the entry into force of this Regulation and where appropriate every year thereafter, a report on the use of financial assistance and continuation of the exceptional occurrences that justify the adoption and application of this Regulation.

2.2. Management and control system(s)

2.2.1. *Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The proposed Regulation lays down prudential rules to manage the risks related to the loan portfolio (Articles 12, 13 and 14)

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)*

2.3. Measures to prevent fraud and irregularities

The proposed Regulation lays down control and audit rules (Article 14). The Commission shall ensure that the necessary provisions regarding controls and audits are provided for in the agreement concluded with the beneficiary Member State for the purposes of implementing Union financial assistance under the SAFE instrument. The rules of Article 220 of the Financial Regulation apply.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

| Heading of multiannual financial framework | Budget line | Type of expenditure | Contribution | | | |
|--|---------------|-------------------------------|-----------------------------------|---|----------------------------|------------------------|
| | | | from EFTA countries ¹⁵ | from candidate countries and potential candidates ¹⁶ | From other third countries | other assigned revenue |
| | Number | Diff./Non-diff. ¹⁴ | | | | |
| | [XX.YY.YY.YY] | Diff./Non-diff. | YES/NO | YES/NO | YES/NO | YES/NO |
| | [XX.YY.YY.YY] | Diff./Non-diff. | YES/NO | YES/NO | YES/NO | YES/NO |
| | [XX.YY.YY.YY] | Diff./Non-diff. | YES/NO | YES/NO | YES/NO | YES/NO |

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

- ☒ The proposal/initiative does not require the use of operational appropriations

¹⁴ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

¹⁵ EFTA: European Free Trade Association.

¹⁶ Candidate countries and, where applicable, potential candidates from the Western Balkans.

- ☐ The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

| Heading of multiannual financial framework | | | 5 | Security and Defence | | | | | |
|--|-------------|-------------|-------------|----------------------|-------|-------|-------|------------------------|------------------------|
| DG DEFIS | | | | Year | | Year | Year | Year | TOTAL MFF 2021-2027 |
| | | | | 2024 | 2025 | 2026 | 2027 | | |
| TOTAL operational appropriations | Commitments | (4) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | |
| | Payments | (5) | 0.000 | 0.000 | 0.000 | 0.000 | | | |
| TOTAL appropriations of an administrative nature financed from the envelope for specific programmes | | (6) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | |
| TOTAL appropriations under HEADING 5 | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | |
| of the multiannual financial framework | | =4+6 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | |
| • TOTAL operational appropriations (all operational headings) | | | Commitments | (4) | 0.000 | 0.000 | 0.000 | TOTAL MFF 2021-2027 | |
| | | | Payments | (5) | 0.000 | 0.000 | 0.000 | | |
| • TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings) | | | (6) | 0.000 | 0.000 | 0.000 | 0.000 | | |
| TOTAL appropriations Under Heading 1 to 6 | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | |
| of the multiannual financial framework (Reference amount) | | Commitments | =4+6 | 0.000 | 0.000 | 0.000 | 0.000 | | |
| | | Payments | =5+6 | 0.000 | 0.000 | 0.000 | 0.000 | | |

| Heading of multiannual financial framework | | 7 | 'Administrative expenditure' ¹⁷ | | | | |
|--|--|----------------|--|--------------|--------------|--------------|----------------------------|
| DG DEFIS | | | Year 2024 | Year 2025 | Year 2026 | Year 2027 | TOTAL MFF 2021- 2027 |
| • Human resources | | | 0.000 | 4.512 | 6.768 | 6.768 | 18.048 |
| • Other administrative expenditure | | | 0.000 | 0.046 | 0.100 | 0.100 | 0.246 |
| TOTAL DG DEFIS | | Appropriations | 0.000 | 4.558 | 6.868 | 6.868 | 18.294 |

| DG BUDG | | | Year 2024 | Year 2025 | Year 2026 | Year 2027 | TOTAL MFF 2021- 2027 |
|--|--|--------------------------------------|--------------|--------------|--------------|--------------|----------------------------|
| • Human resources | | | 0.000 | 0.376 | 0.376 | 0.376 | 1.128 |
| • Other administrative expenditure | | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| TOTAL DG BUDG | | Appropriations | 0.000 | 0.376 | 0.376 | 0.376 | 1.128 |
| TOTAL appropriations under HEADING 7 of the multiannual financial framework | | (Total commitments = Total payments) | 0.000 | 4.934 | 7.244 | 7.244 | 19.422 |

| | | EUR million (to three decimal places) | | | | |
|---|--|---------------------------------------|--------------|--------------|--------------|------------------------|
| | | Year 2024 | Year 2025 | Year 2026 | Year 2027 | TOTAL MFF 2021-2027 |
| TOTAL appropriations under HEADINGS 1 to 7 | | 0.000 | 4.934 | 7.244 | 7.244 | 19.422 |

¹⁷ The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

| of the multiannual financial framework | | | | Payments | | 0.000 | 4.934 | 7.244 | 7.244 | 19.422 |
|--|--|--|--|----------|--|-------|-------|-------|-------|--------|
|--|--|--|--|----------|--|-------|-------|-------|-------|--------|

3.2.2. Estimated output funded from operational appropriations (not to be completed for decentralised agencies)

Commitment appropriations in EUR million (to three decimal places)

| Indicate objectives and outputs | | | Year 2024 | Year 2025 | Year 2026 | Year 2027 | Enter as many years as necessary to show the duration of the impact (see Section 1.6) | | | | | | | | | | TOTAL |
|---|--|--|-----------|-----------|-----------|-----------|---|--------------|------|----|------|----|------|----|------|----|-------|
| | | | | | | | OUTPUTS | | | | | | | | | | |
| | | | | | | | Type ¹⁸ | Average cost | Cost | No | Cost | No | Cost | No | Cost | No | |
| SPECIFIC OBJECTIVE No 1 ¹⁹ ... | | | | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | | | | |
| Subtotal for specific objective No 1 | | | | | | | | | | | | | | | | | |
| SPECIFIC OBJECTIVE No 2 ... | | | | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | | | | |
| Subtotal for specific objective No 2 | | | | | | | | | | | | | | | | | |
| TOTALS | | | | | | | | | | | | | | | | | |

¹⁸ Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).
¹⁹ As described in Section 1.3.2. ‘Specific objective(s)’

3.2.3. Summary of estimated impact on administrative appropriations

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

3.2.3.1. Appropriations from voted budget

| VOTED APPROPRIATIONS | Year | Year | Year | Year | TOTAL 2021 - 2027 |
|---|-------|-------|-------|-------|----------------------|
| | 2024 | 2025 | 2026 | 2027 | |
| HEADING 7 | | | | | |
| Human resources | 0.000 | 4.888 | 7.144 | 7.144 | 19.176 |
| Other administrative expenditure | 0.000 | 0.046 | 0.100 | 0.100 | 0.246 |
| Subtotal HEADING 7 | 0.000 | 4.934 | 7.244 | 7.244 | 19.422 |
| Outside HEADING 7 | | | | | |
| Human resources | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Other expenditure of an administrative nature | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Subtotal outside HEADING 7 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | | | | | |
| TOTAL | 0.000 | 4.934 | 7.244 | 7.244 | 19.422 |

3.2.3.2. Appropriations from external assigned revenues

| EXTERNAL ASSIGNED REVENUES | Year | Year | Year | Year | TOTAL 2021 - 2027 |
|---|-------|-------|-------|-------|----------------------|
| | 2024 | 2025 | 2026 | 2027 | |
| HEADING 7 | | | | | |
| Human resources | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Other administrative expenditure | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Subtotal HEADING 7 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outside HEADING 7 | | | | | |
| Human resources | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Other expenditure of an administrative nature | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Subtotal outside HEADING 7 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | | | | | |
| TOTAL | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

3.2.3.3. Total appropriations

| TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES | Year 2024 | Year 2025 | Year 2026 | Year 2027 | TOTAL 2021 - 2027 |
|--|------------------|------------------|------------------|------------------|-------------------------|
| HEADING 7 | | | | | |
| Human resources | 0.000 | 4.888 | 7.144 | 7.144 | 19.176 |
| Other administrative expenditure | 0.000 | 0.046 | 0.100 | 0.100 | 0.246 |
| Subtotal HEADING 7 | 0.000 | 4.934 | 7.244 | 7.244 | 19.422 |
| Outside HEADING 7 | | | | | |

| | | | | | |
|---|--------------|--------------|--------------|--------------|---------------|
| Human resources | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Other expenditure of an administrative nature | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Subtotal outside HEADING 7 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| TOTAL | 0.000 | 4.934 | 7.244 | 7.244 | 19.422 |

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together, if necessary, with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

3.2.4. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources
- ☒ The proposal/initiative requires the use of human resources, as explained below

3.2.4.1. Financed from voted budget

Estimate to be expressed in full-time equivalent units (FTEs)²⁰

| VOTED APPROPRIATIONS | | Year 2024 | Year 2025 | Year 2026 | Year 2027 | Years 2028- 2030 |
|--|---------------------|--------------|--------------|--------------|--------------|------------------------|
| • Establishment plan posts (officials and temporary staff) | | | | | | |
| 20 01 02 01 (Headquarters and Commission's Representation Offices) | | 0 | 26 | 38 | 38 | 38 |
| 20 01 02 03 (EU Delegations) | | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 01 (Indirect research) | | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 11 (Direct research) | | 0 | 0 | 0 | 0 | 0 |
| Other budget lines (specify) | | 0 | 0 | 0 | 0 | 0 |
| • External staff (in FTEs) | | | | | | |
| 20 02 01 (AC, END from the 'global envelope') | | 0 | 0 | 0 | 0 | 0 |
| 20 02 03 (AC, AL, END and JPD in the EU Delegations) | | 0 | 0 | 0 | 0 | 0 |
| Admin. Support line [XX.01.YY.YY] | - at Headquarters | 0 | 0 | 0 | 0 | 0 |
| | - in EU Delegations | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 02 (AC, END - Indirect research) | | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 12 (AC, END - Direct research) | | 0 | 0 | 0 | 0 | 0 |
| Other budget lines (specify) - Heading 7 | | 0 | 0 | 0 | 0 | 0 |
| Other budget lines (specify) - Outside Heading 7 | | 0 | 0 | 0 | 0 | 0 |
| TOTAL | | 0 | 26 | 38 | 38 | 38 |

²⁰ Please specify below the table how many FTEs within the number indicated are already assigned to the management of the action and/or can be redeployed within your DG and what are your net needs.

The number of FTEs here above is the needs of additional resources in order to manage the activities in DG DEFIS and DG BUDG.

3.2.4.2. *Financed from external assigned revenues*

| EXTERNAL ASSIGNED REVENUES | | Year 2024 | Year 2025 | Year 2026 | Year 2027 | Years 2028- 2030 |
|--|---------------------|--------------|--------------|--------------|--------------|------------------------|
| • Establishment plan posts (officials and temporary staff) | | | | | | |
| 20 01 02 01 (Headquarters and Commission's Representation Offices) | | 0 | 0 | 0 | 0 | 0 |
| 20 01 02 03 (EU Delegations) | | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 01 (Indirect research) | | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 11 (Direct research) | | 0 | 0 | 0 | 0 | 0 |
| Other budget lines (specify) | | 0 | 0 | 0 | 0 | 0 |
| • External staff (in full time equivalent units) | | | | | | |
| 20 02 01 (AC, END from the 'global envelope') | | 0 | 0 | 0 | 0 | 0 |
| 20 02 03 (AC, AL, END and JPD in the EU Delegations) | | 0 | 0 | 0 | 0 | 0 |
| Admin. Support line [XX.01.YY.YY] | - at Headquarters | 0 | 0 | 0 | 0 | 0 |
| | - in EU Delegations | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 02 (AC, END - Indirect research) | | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 12 (AC, END - Direct research) | | 0 | 0 | 0 | 0 | 0 |
| Other budget lines (specify) - Heading 7 | | 0 | 0 | 0 | 0 | 0 |
| Other budget lines (specify) - Outside Heading 7 | | 0 | 0 | 0 | 0 | 0 |
| TOTAL | | 0 | 0 | 0 | 0 | 0 |

3.2.4.3. *Total requirements of human resources*

| TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES | | Year 2024 | Year 2025 | Year 2026 | Year 2027 | Years 2028- 2030 |
|--|---------------------|--------------|--------------|--------------|--------------|------------------------|
| • Establishment plan posts (officials and temporary staff) | | | | | | |
| 20 01 02 01 (Headquarters and Commission's Representation Offices) | | 0 | 26 | 38 | 38 | 38 |
| 20 01 02 03 (EU Delegations) | | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 01 (Indirect research) | | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 11 (Direct research) | | 0 | 0 | 0 | 0 | 0 |
| Other budget lines (specify) | | 0 | 0 | 0 | 0 | 0 |
| • External staff (in full time equivalent units) | | | | | | |
| 20 02 01 (AC, END from the 'global envelope') | | 0 | 0 | 0 | 0 | 0 |
| 20 02 03 (AC, AL, END and JPD in the EU Delegations) | | 0 | 0 | 0 | 0 | 0 |
| Admin. Support line [XX.01.YY.YY] | - at Headquarters | 0 | 0 | 0 | 0 | 0 |
| | - in EU Delegations | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 02 (AC, END - Indirect research) | | 0 | 0 | 0 | 0 | 0 |
| 01 01 01 12 (AC, END - Direct research) | | 0 | 0 | 0 | 0 | 0 |
| Other budget lines (specify) - Heading 7 | | 0 | 0 | 0 | 0 | 0 |

| | | | | | |
|--|----------|-----------|-----------|-----------|-----------|
| Other budget lines (specify) - Outside Heading 7 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 0 | 26 | 38 | 38 | 38 |

The staff required to implement the proposal (in FTEs):

| | To be covered by current staff available in the Commission services | Exceptional additional staff* | | |
|--------------------------------|--|---|------------------------------------|---------------------------------|
| | | To be financed under Heading 7 or Research | To be financed from BA line | To be financed from fees |
| Establishment plan posts | 38 | | N/A | |
| External staff (CA, SNEs, INT) | | | | |

Description of tasks to be carried out by:

| | |
|-------------------------------|---|
| Officials and temporary staff | <p>To manage the envelope of loans of € 150 billion, additional staff is needed. The staff dedicated to the management of the European Defence Fund (EDF) , ASAP and EDIRPA is already insufficient to manage the EDF/ASAP/EDIRPA programmes.</p> <p>Here below : a summary of the task</p> <p>In 2025, General administrative, financial and technical support, Coordination and Implementation, Legal framework design, Phase 1 – Call for “proposals” preparation, assessment of “proposals”, and preparation of the Council IA decisions (Includes assessment + “dialogue” with the concerned MS on the proposed measures proposed), Phase 2 - Loan Agreements Preparation.</p> <p>In 2026 and 2027, General support, Coordination and Implementation, Legal framework design, Phase 1 - Call for “proposals” preparation, assessment of “proposals” and preparation of the Council IA decision (Includes assessment + “dialogue” with the concerned MS on the proposed measures proposed), Phase 2 - Loan Agreement Preparation, Phase 3- Monitoring, control, payments and reporting.</p> |
| External staff | |

3.2.5. Overview of estimated impact on digital technology-related investments

Compulsory: the best estimate of the digital technology-related investments entailed by the proposal/initiative should be included in the table below.

Exceptionally, when required for the implementation of the proposal/initiative, the appropriations under Heading 7 should be presented in the designated line.

The appropriations under Headings 1-6 should be reflected as “Policy IT expenditure on operational programmes”. This expenditure refers to the operational budget to be used to re-use/ buy/ develop IT platforms/ tools directly linked to the implementation of the initiative and their associated investments (e.g. licences, studies, data storage etc). The information provided in this table should be consistent with details presented under Section 4 “Digital dimensions”.

| TOTAL Digital and IT appropriations | Year 2024 | Year 2025 | Year 2026 | Year 2027 | TOTAL MFF 2021 - 2027 |
|---|---------------------|---------------------|---------------------|---------------------|--|
| HEADING 7 | | | | | |
| IT expenditure (corporate) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Subtotal HEADING 7 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Outside HEADING 7 | | | | | |
| Policy IT expenditure on operational programmes | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Subtotal outside HEADING 7 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | | | | | |
| TOTAL | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

3.2.6. *Compatibility with the current multiannual financial framework*

The proposal/initiative:

- ☒ can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)

The operational budget is not impacted by the regulation.

- ☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation
- ☐ requires a revision of the MFF

3.2.7. *Third-party contributions*

The proposal/initiative:

- ☒ does not provide for co-financing by third parties
- ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

| | Year 2024 | Year 2025 | Year 2026 | Year 2027 | Total |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|-------|
| Specify the co-financing body | | | | | |
| TOTAL appropriations co-financed | | | | | |

3.3. *Estimated impact on revenue*

- ☒ The proposal/initiative has no financial impact on revenue.
- ☐ The proposal/initiative has the following financial impact:
 - ☐ on own resources
 - ☐ on other revenue
 - ☐ please indicate, if the revenue is assigned to expenditure lines

4. DIGITAL DIMENSIONS

4.1. Requirements of digital relevance

Not applicable

4.2. Data

Not applicable

4.3. Digital solutions

Not applicable

4.4. *Interoperability assessment*

Not applicable

4.5. Measures to support digital implementation

Not applicable.