European Defence Industry Reinforcement through common Procurement Act (EDIRPA)

2022/0219(COD) - 26/10/2023 - Final act

PURPOSE: to encourage common procurement in the European defence industry.

LEGISLATIVE ACT: Regulation (EU) 2023/2418 of the European Parliament and of the Council on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA).

CONTENT: the Regulation establishes a **short-term instrument** for the reinforcement of the European defence industry through common procurement , for the period from 27 October 2023 to 31 December 2025.

Objectives

The Instrument has the following objectives:

- to **foster the competitiveness and efficiency of the European Defence Technological and Industrial Base** (EDTIB), including SMEs and mid-caps, for a more resilient and secure Union, in particular by speeding up, in a collaborative manner, the adjustment of industry to structural changes, including through the creation and ramp-up of its manufacturing capacities and the opening of the supply chains for cross-border cooperation throughout the Union;

- to **foster cooperation in defence procurement processes** between participating Member States in order to contribute to solidarity, prevent crowding-out effects, increase the effectiveness of public spending and reduce excessive fragmentation, ultimately leading to an increase in the standardisation of defence systems.

The objectives will be pursued with an emphasis on strengthening and developing the EDTIB throughout the Union to allow it to address, in particular, the most urgent and critical defence product needs, especially those revealed or exacerbated by the response to the Russian war of aggression against Ukraine, such as the shipment of defence products to Ukraine.

Budget

The financial envelope for the implementation of the Instrument for the period from 27 October 2023 to 31 December 2025 shall be **EUR 300 million** in current prices.

With the new instrument, a partial reimbursement from the EU budget will be available to member states where joint purchases involve a **consortia of at least three Member States**.

Use of financing not linked to costs

Grants will take the form of financing not linked to costs. The level of the EU contribution for each action may be differentiated according to factors such as:

- the complexity of the common procurement;

- the characteristics of the cooperation which are likely to give rise to greater interoperability outcomes and long-term investment signals to industry; or

- the number of participating Member States and associated countries or the inclusion of additional Member States or associated countries in existing cooperations.

The Union's financial contribution to each action will not exceed **15%** of the instrument's overall budget and will be capped at 15% of the estimated value of the common procurement contract per consortium of Member States and associated countries.

This ceiling may be increased to **20%** of the total budget envelope and 20% of the estimated value of the common procurement contract per consortium of Member States and associated countries:

- where **Ukraine or Moldova** is one of the recipients of additional quantities of defence products in the procurement action, or

- where at least 15% of the estimated value of the common procurement contract is allocated to **SMEs** or mid-cap companies as contractors or sub-contractors.

Eligibility conditions

Given that the instrument aims to strengthen the competitiveness and efficiency of the EU defence industry, in order to be eligible, joint procurement contracts must be concluded with contractors or subcontractors who are established in the EU or in associated countries and **who are not controlled by non-associated third countries**. In addition, at least **65%** of the components of the final products must come from the EU or an associated country.

ENTRY INTO FORCE: 27.10.2023.