



Warsaw, 7 March 2025

## Invitation to the March ECOFIN

Dear Colleagues,

“Security, Europe!”. This Polish presidency motto will be front and centre, when we meet for the EU finance ministers Council next week. 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. These are EU priority areas for action as identified by our Leaders during the last European Council meeting. Our discussions will focus on financing European defence capabilities, ensuring these significant investments also drive economic growth, job creation, and innovation.

Given the rapidly evolving security landscape, Europe must reflect deeply on the future of defence financing. A stable and predictable funding framework is essential to systematically develop European defence capabilities.

Strengthening the EU's defence technological and industrial base is crucial to delivering equipment at scale and speed. We must also avoid *ad hoc* financing mechanisms that could lead to long-term structural funding shortages.

At the same time, fostering private sector engagement is vital. European defence industries need long term contracts to innovate and remain globally competitively.

Deliberations on the future of defence financing in the EU should be conducted in transparent way. And most importantly we should look from a broad perspective, taking into account both budgetary and political aspects. I believe that a shared reflection on these issues will contribute to finding solutions that will ensure the effectiveness and sustainability of the European defence financing policy.

To advance this dialogue, I invite you to a dinner on 10 March, where we will explore financing options in light of the European Council's 6 March decisions.

Topics will include:

- Additional EU-wide funding sources, including optimising existing EU programmes.
- A potential new EU instrument offering Member States loans backed by the EU budget, up to EUR 150 billion.
- Enhanced European Investment Bank (EIB) support for the defence industry, including reconsideration of excluded activities and increased funding.

This discussion will also help prepare for the informal ECOFIN in Warsaw in April, with the goal of securing sufficient and long-term financing mechanisms for European rearmament by June.

On Tuesday, during ECOFIN breakfast, we will revisit defence from a fiscal perspective. An issues note has been prepared to guide discussions on three key aspects:

- Defining government expenditure on defence.
- Establishing benchmarks to compare defence spending increases.
- Determining an appropriate time horizon for assessing defence expenditure.

The meeting will then address improving the regulatory environment for European businesses. We will review two Omnibus packages published by the Commission on 26 February, with discussions already underway to secure swift Council mandates. In particular, the urgent "stop the clock" proposal in Omnibus I requires prompt adoption to ensure legal certainty for companies. Another pressing issue is radically simplifying CBAM, which we will discuss.

Next, we will work towards a political agreement on the Directive on administrative cooperation in taxation (DAC9).

Finally, we will discuss the economic and financial impact of Russia's aggression against Ukraine, focusing on the role of customs administrations in enforcing sanctions and preventing circumvention. A detailed issues note has been provided to facilitate this exchange.

I look forward to our discussions and your valuable contributions.

Kind regards,



For the attention of:

ECOFIN Members

President of the European Investment Bank

President of the Eurogroup

Managing Director of the European Stability Mechanism

