

DEFENCE: What has the EU done?

Brief overview

LATEST DEVELOPMENTS AT THE EU LEVEL

Attempts to move towards a common defence have been part of the European Project since its inception. However, more has been achieved in the past two years than in the last 60 years.

European Peace Facility

On June 13 2018, the High Representative, with the support of the Commission, proposed a new **off-budget** fund, the European Peace Facility, worth **EUR 10.5 billion** over the next multiannual Financial Framework.

This facility will allow financing of all Common Foreign and Security Policy external actions with military or defence implications.

This European Peace Facility will replace the African Peace Facility¹ and the Athena mechanism. It will continue financing actions currently supported through these instruments but will allow the EU to overcome geographic and thematic limitations.

The European Peace Facility will be financed through contributions by EU Member States based on a **Gross National Income (GNI)** distribution key.

European Defence Industrial Development Programme (EDIDP)

The purpose of the regulation, which is an integral part of the **European Defence Fund**², is to establish a programme which aims to support the **competitiveness** and **innovation capacity** of the **Union's defence industry** with a budget of **EUR 500 million for 2019-2020**.

¹ The Africa peace Facility is financed from an extra-budgetary European Development Fund

² See next Heading "[European Defence Fund](#)"



In addition, the programme will act as an enabler for cooperation, incentivising potential collaborative development programmes. Actions in the context of Permanent Structured Cooperation (PESCO) will be eligible for increased funding.

In May 2018, the Presidencies of the **Council** and the **European Parliament reached an agreement**³ on the regulation as proposed by the European Commission, agreeing on its core objectives of making the Union's defence industry more competitive and innovative. There was agreement on a number of amendments to improve the proposed regulation. These relate to the regional and international priorities that should inform the programme, its sources of financing, the eligible entities and actions, and the implementation of the work programme.

The agreement also provides for stronger ways to incentivise cross-border participation of small and medium-sized enterprises (SMEs) as well as middle-capitalisation companies (mid-caps), including through bonuses, in the proposed programme.

It will then be submitted to the Parliament for a vote, likely in the July 2018 plenary sitting and then to the Council for final adoption. It is expected that the programme will finance the first capability projects in 2019.

Civilian Common Security and Defence Policy (CSDP)

On 28 May 2018, the Council adopted conclusions on strengthening a civilian Common Security and Defence Policy (CSDP).

The Council reaffirms that a strengthened civilian CSDP is an essential element of the EU's joined-up approach, working alongside other EU instruments in an integrated manner.

The Council identifies a range of actions to make a civilian CSDP more effective on the ground and identify ways in which civilian missions could contribute to tackling security challenges along the nexus internal/external security, alongside other EU instruments in a coordinated manner.

The next steps are to present a civilian capability development plan by summer 2018 and to agree a civilian CSDP compact by November 2018.

The EU currently has 10 civilian CSDP missions deployed. Civilian CSDP is an important instrument through which the EU plays its role as a global security provider.

Defence cooperation: Permanent Structured Cooperation (PESCO)

On 6 March 2018, the Council adopted a roadmap for the implementation of the **Permanent Structured Cooperation (PESCO)**. This roadmap provides strategic direction and guidance on how to structure further work on both processes and governance, including for projects and in relation to sequencing the fulfilment of commitments.

³ Parliament's Committee on Industry, Research and Energy (ITRE) was the lead committee (rapporteur Françoise Grossetête, EPP, France). The Committee on Foreign Affairs (AFET), rapporteur Ioan Mircea Pașcu (S&D, Romania) and the Committee on Budgets (BUDG), rapporteur Esteban González Pons (EPP, Spain) were associated following Rule 54 of Parliament's Rules of Procedure. The Committee on the Internal Market and Consumer Protection (IMCO), rapporteur Anneleen Van Bossuyt (ECR, Belgium) also delivered an opinion.

It sets out a calendar for the review and assessment process of the national implementation plans which detail how participating member states plan to fulfil the more binding commitments they have made to one another.

It also provides a timeline for agreement on possible future projects, as well as the main tenets of a common set of governance rules for projects to be adopted by the Council by the end of June 2018.

A list of **17 collaborative projects** was formally adopted⁴. The projects cover areas such as training, capability development and operational readiness in the field of defence.

The Permanent Structured Cooperation (PESCO) takes in 25 member states⁵ (DK, MT and UK are not included).

The European Defence Agency (EDA) and the EEAS, including the EU Military Staff, working together, provide a Secretariat function for PESCO, with a single point of contact for the participating Member States.

Each participating Member State provides a plan for the national contributions and efforts they have agreed to make. These national implementation plans are subject to regular assessment. This is different from the voluntary approach that is currently the rule within the EU's Common Security and Defence Policy.

PESCO is closely connected to the new Coordinated Annual Review on Defence (CARD)⁶ run by the European Defence Agency and the European Defence Fund (EDF). They are complementary and mutually reinforcing tools contributing to the goal of enhancing Member States defence capabilities.

THE EUROPEAN DEFENCE FUND

On 30 November 2016, the Commission presented the [European Defence Action Plan](#), which outlined how a European Defence Fund and other actions can support Member States' more efficient spending in joint defence capabilities, strengthen European citizens' security and foster a competitive and innovative industrial base. The initiative was welcomed by EU leaders during the European Council meetings in [December 2016](#) and [March 2017](#)

On 7 June 2017, the Commission presented the [European Defence Fund](#) with the aim of coordinating, supplementing and amplifying national investments in defence research, in the development of prototypes and in the acquisition of defence equipment and technology.

The **European Defence Fund** has two strands: **Research and Development/acquisition**

Research: Starting in 2017, the EU for the first time offers grants for collaborative research in innovative defence technologies and products, fully and directly funded from the EU budget. Projects eligible for EU funding will focus on priority areas previously agreed by Member States, and could typically include electronics, metamaterials, encrypted software or robotics. This is financed with:

- **EUR 90 million until the end of 2019**, with EUR 25 million allocated for 2017. A call for proposals was launched for projects in the areas of unmanned systems in a naval environment and soldiers systems.

⁴ which were agreed politically in December 2017

⁵ Austria, Belgium, Bulgaria, Czech Republic, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain and Sweden

⁶ CARD, through systematically monitoring of national defence spending plans, helps identify opportunities for new collaborative initiatives.

- **EUR 500 million per year after 2020.** In 2018, the Commission will propose a dedicated EU defence research programme with an estimated annual budget of EUR 500 million making the EU one of the biggest defence research investors in Europe.

Development and acquisition: The Fund creates incentives for Member States to cooperate on joint development and the acquisition of defence equipment and technology through co-financing from the EU budget and practical support from the Commission. Member States may, for example, jointly invest in developing drone technology or satellite communication, or bulk buy helicopters to reduce costs. Only collaborative projects are eligible⁷, and a proportion of the overall budget is earmarked for projects involving cross-border participation of SMEs. The EU offers co-financing with:

- **EUR 500 million in total for 2019 and 2020**, under a dedicated defence and industrial development programme.
- **EUR 1 billion per year after 2020** (i.e. the new Multiannual Financial Framework). A more substantial programme will be prepared for post-2020, with an estimated annual budget of EUR 1 billion. The programme will leverage national financing with an expected multiplying factor of five. It could therefore generate a total investment in defence capability development of EUR 5 billion per year after 2020.

PESCO projects may benefit from increased EU co-financing, which could amount to 30% instead of 20% for prototypes.

THE EUROPEAN DEFENCE AGENCY (EDA)

The **European Defence Agency (EDA)** is an **intergovernmental agency** of the Council⁸ of the European Union. Therefore, The Agency falls under the authority of the Council of the EU, to which it reports and from which it receives guidelines. Currently, 27 countries – all EU Member States except Denmark – participate. EDA is the only EU Agency whose Steering Board meets at ministerial level. At the meetings of this governing body, Defence Ministers decide on the annual budget, the three year work programme and the annual work plan as well as on projects, programmes and new initiatives.

The Head of Agency is the High Representative of the Union for Foreign Affairs and Security Policy. The EDA Chief Executive⁹ is appointed by decision of the Steering Board.

The **mission** of the Agency is "*to support the Member States and the Council in their effort to improve European defence capabilities in the field of crisis management and to sustain the European Security and Defence Policy as it stands now and develops in the future*". The European Defence Agency, within the overall mission set out in the aforementioned Council decision, has **three main missions**:

- Supporting the development of defence capabilities and military cooperation among the European Union Member States;
- Stimulating defence Research and Technology (R&T) and strengthening the European defence industry;

⁷ At least 3 participants from several Member States. EU will only co-fund development of prototypes where Member States commit to buying final product.

⁸ The European Defence Agency was established under a Joint Action of the Council of Ministers on 12 July, 2004. Then, to implement the provisions of the Lisbon Treaty (Art.42 TEU), this Joint Action was first replaced by a Council Decision on 12 July 2011 which was revised by Council decision (CFSP) 2015/1835 of 12 October 2015 on the statute, seat and operational rules of the EDA.

⁹ Mr Jorge Domecq is currently the Chief Executive of the European Defence Agency

- Acting as a military interface to EU policies.

Member States contribute to the Agency's annual **budget** according to a **GNI-based formula**¹⁰ and approve its work plan. Through the Agency's "à la carte" approach, Member States can decide whether or not to participate in Agency projects according to national needs.

The **EDA budget** consists of the general budget, the budgets associated with ad hoc projects or programmes and budgets resulting from additional revenue. In 2017¹¹, **the total budget** amounted to **EUR 72.7 million** which was broken down into EUR 31.2 million from the general budget, EUR 14.8 million from the Ad hoc budget and EUR 26.7 million in additional revenue. The European Defence Agency is based in Brussels and has 143 staff.

On February 2018, the **European Defence Agency** and the **European Investment Bank** (EIB) signed a Memorandum of Understanding to strengthen cooperation between the two institutions.

The [European Council of 19 October 2017](#) encouraged the EIB to examine further steps with a view to supporting investments in defence research and development activities. As a response, the EIB recently approved the European Security Initiative - Protect, Secure, Defend, strengthening its support for RDI for dual-use technologies, cybersecurity and civilian security infrastructure.

As a first step, the European Defence Agency (EDA) and the European Investment Bank (EIB) envisage cooperation in the **Cooperative Financial Mechanism** (CFM). The CFM is foreseen as a mechanism for EDA Member States to financially support the set up and conduct of the development of military technology.

The EIB role in the Cooperative Financial Mechanism would focus on supporting the development of dual use technologies. Additionally, the two organisations agreed to exchange expertise, in particular with a view to identifying possible financing opportunities for defence and security-related Research and Technology projects in support of EDA participating Member States. The Mechanism is voluntary. Member States decide if they wish to participate, contribute and support projects.

The European Defence Agency stands ready to support the EIB in identifying projects that are potentially eligible for its assistance; this could include both projects promoted by the Member States, such as those in the context of the recently launched Permanent Structured Cooperation (PESCO), as well as projects promoted by companies including Small and Medium Sized Enterprises in the defence and security sector.

¹⁰ [Financial rules of the European Defence Agency and repealing Decision 2007/643/CFSP](#), Article 30 Member States' contribution to the Agency's general budget

¹¹ Source: European Defence Agency, [Annual report 2017](#), 12 March 2018

FINANCING SECURITY AND DEFENCE MILITARY OPERATIONS: ATHENA MECHANISM

Athena¹² is a mechanism which handles the **financing of common costs** relating to **EU military operations** under the **EU's common security and defence policy (CSDP)**.

On 1 March 2004, the Council of the European Union set up Athena. 27 EU member states contribute to the financing of EU military operations, with Denmark deciding to opt out of CSDP on military matters. The rules on contributions to Athena are set out in article 41.2 of the Treaty on the European Union. **Member States contribute an annual share** based on their **Gross National Income (GNI)**.

Athena is managed by an administrator and under the authority of a Special Committee made up of representatives from the Member States contributing to the financing of each operation.

Athena can finance the common costs of EU military operations as well as the nation borne costs, which include lodging, fuel, and similar costs linked to national contingents.

¹² [Council Decision \(CFSP\) 2015/528 of 27 March 2015 establishing a mechanism to administer the financing of the common costs of European Union operations having military or defence implications \(Athena\) and repealing Decision 2011/871/CFSP](#)

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