

QUICK POLICY INSIGHT

Pooling & sharing austerity? The Defence Agency's 2013 budget

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On November 19th the Council decided to freeze the 2013 budget of the European Defence Agency¹. For a fourth time in a row the budget was fixed to slightly more than EUR 30 million (see Table 1). This means that since the entry into force of the Lisbon treaty on December 1st, 2009, the Council has failed to adjust the agency's resources for inflation - let alone to provide the EDA with adequate resources to implement the full scope of its mission and tasks referred to in articles 42(3) and 45 TEU.

Table 1:
EDA Budget in Million
Euros²

2013 budget is again fixed
to EUR 30.5 million.

Year	Functioning		Operational		Total		
	Plan	Actual	Plan	Actual	Plan	Actual	% plan
2005	17.7	10.2	3.0	3.0	20.7	12.8	62 %
2006	17.3	14.9	5.0	3.9	22.3	18.8	84 %
2007	17.1	17.0	5.0	4.5	22.1	21.5	97 %
2008	20.0	18.7	6.0 ³	6.0	26.0	24.6	95 %
2009	21.6	20.4	8.0	7.7	29.6	28.1	95 %
2010	22.1	21.9	8.4	8.7	30.5	30.6	100 %
2011	22.0	21.7	8.5	8.5	30.5	30.2	99 %
2012	22.5		8.0		30.5		

¹ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/133604.pdf

² <http://www.eda.europa.eu/Aboutus/how-we-do-it/Finance>

³ Plus EUR 6.0 million earmarked revenue, of which EUR 1.6 million where actually collected from the Member States participating in EDA

A key resource without resources?

Council to EDA: 'do more and better - but with less!'

Upon fixing EDA's 2013 budget the Council also adopted conclusions on military capability development⁴, reiterating its call '*to retain and further develop military capabilities for sustaining and enhancing CSDP*' to '*underpin the EU's ability to act as a security provider, in the context of a wider comprehensive approach*'. It also underlines '*the necessity to maximise the effectiveness of Europe's defence expenditure in times of financial austerity*'. The Council also states that it remains '*committed to enhance European cooperation including through the pooling and sharing of military capabilities*'. However, when it comes to the litmus test for strengthening the tool that the Lisbon Treaty puts at its disposal for achieving all these goals - i.e. the European Defence Agency - the Council will only limit its agency's manoeuvring margin for now four consecutive years. This is also imposing serious restrictions on EDA's capacity to act.

The role of the Council

The Council did not manage to establish a long term financial perspective for EDA.

The EDA's budget comes from participating Member States' contributions and its progress is hindered by the unanimity requirement for adopting it.

A more decisive Council would likely have used different language than: '*The Council set the 2013 budget for the European Defence Agency at EUR 30.5 million. In so doing, it invited the EDA to examine with member states additional contributions through its specific programmes and projects*'. However, this reference is nothing new to EDA. More information on this issue is publicly available in the agency's annual reports⁵ and through its projects website⁶.

The inability of the Council to increase the EDA's budget is a consequence of the requirement of taking that decision by unanimity (refer to article 4 (4) of Council Decision (CD) 2011/411/CFSP of 12 July 2011⁷). It takes any single Member State to oppose a budget increase - which happened to be the case for several years now. The new Council decision inherited the unanimity requirement from the former Council Joint Action Decision 2004/551/CFSP⁸. When doing so the Council dropped the notion of having a legally binding financial framework⁹ and favoured, instead, an annual revision of EDA's budget.

The reason for the unanimity requirement is EDA's funding mechanism which stems from the pre-Lisbon era: Member States are funding the agency directly and outside the EU's general budget.

⁴ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/133560.pdf

⁵ <http://www.eda.europa.eu/Aboutus/how-we-do-it/Finance>

⁶ <http://www.eda.europa.eu/projects>

⁷ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:183:0016:0026:EN:PDF>

⁸ www.eda.europa.eu/docs/documents/COUNCIL_JOINT_ACTION_2004_551_CFSP.pdf

⁹ A framework that the Council could never establish, also due to the refusal of one Member State participating in EDA.

Making EDA a true Union agency

The Council could make EDA a true Union agency funded from the Union budget.

The strong and direct command and control of the EDA through the Member States' meeting in the Steering Board would remain.

EDA's current institutional position is somewhat odd: on one side it is the only Union agency having its mission and tasks enshrined in the treaty. It even has a policy tasking to participate in defining the European capabilities and armaments policy (refer to article 42 (3) TEU). Where necessary, the EDA and the Commission should work in liaison, as stated in article 45 TEU, which also provides for fields of cooperation e.g. the Union's research and industrial policies.,

It would thus be a major step to make the EDA a Union agency funded from the Union budget as requested by the European Parliament¹⁰. The Parliament has requested the Council, Member States and the High Representative, Vice President of the Commission and Head of EDA to prepare the necessary proposals and take those decisions necessary to having EDA funded from the Union budget, starting with the forthcoming Multiannual Financial Framework.

EDA would be a new kind of *sui generis* institution of the EU: funding decided by the two co-legislators, with the Member States 'steering' the agency, and with the Commission sitting at the table but without decision rights. The latter is already the case in the Steering Board of the EDA. This would also provide opportunity to scrap away the unanimity requirements in the Council and in EDA's steering board. Making EDA such a Union agency would be an appropriate agenda item for the 'defence' meeting of the European Council in December 2013.

Earmarking revenue for 2013

To support EDA, EP could propose to earmark revenue in 2013 to beef up EDA's operational budget

The Council Decision 2011/411/CFSP allows the EDA to receive '*Earmarked Revenue*' from the general budget of the Union on a case- by-case basis and for a specific operational purpose (refer to article 15). During the 2013 general EU budget negotiations with the Council the EP could foresee such a contribution to EDA's operational budget in order to make up for the reductions the Council has implicitly decided by freezing EDA's budget again. This will be politically sensitive and complex to achieve. However it would send a strong message to the Council, the Member States and to EDA of the EP's will to actively support CSDP.

¹⁰ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A7-2012-0252+0+DOC+PDF+V0//EN>