

Financing EU security and defence

Heading 5 of the 2021-2027 MFF

SUMMARY

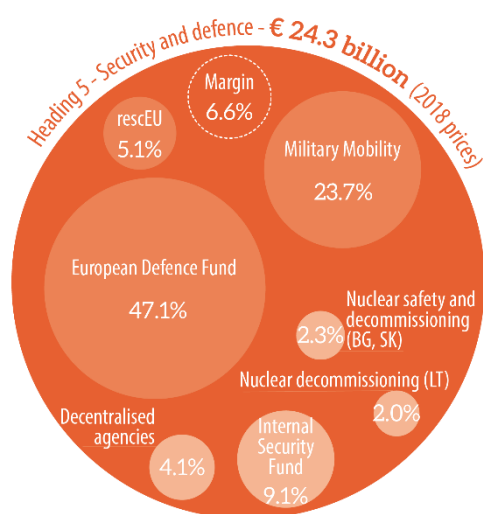
For the new 2021-2027 multiannual financial framework (MFF), the European Commission proposes to dedicate a separate heading to security and defence – Heading 5. Although the European Union (EU) has already financed action linked to security and defence, this is the first time that this policy area has been so visibly underlined in the EU budget structure. With an allocation of €24 323 million (in 2018 prices), Heading 5 is the smallest of the seven MFF headings and represents 2.1 % of the total MFF.

Heading 5 'Security and Defence' under the new MFF consists of three 'policy clusters': security, (policy cluster number 12), defence (13) and crisis response (14).

The programmes and funds proposed for Heading 5 consist of old and new initiatives. They include the continuation of the current Internal Security Fund – Police instrument, funding for nuclear decommissioning and the Union Civil Protection Mechanism (rescEU). The European Defence Fund and the military mobility programme, which is a part of the Connecting Europe Facility, are new.

The European Parliament position is supportive of the Commission proposal, with the exception of the allocation for nuclear decommissioning, which the Parliaments sees as insufficient.

Even though the Council has not yet expressed its position on the 2021-2027 MFF, the Finnish EU Presidency contributed to the debate with its 'negotiation box' that proposed severe cuts to Heading 5, down to €16 491 million. The European Parliament reaction to this reduction is negative.



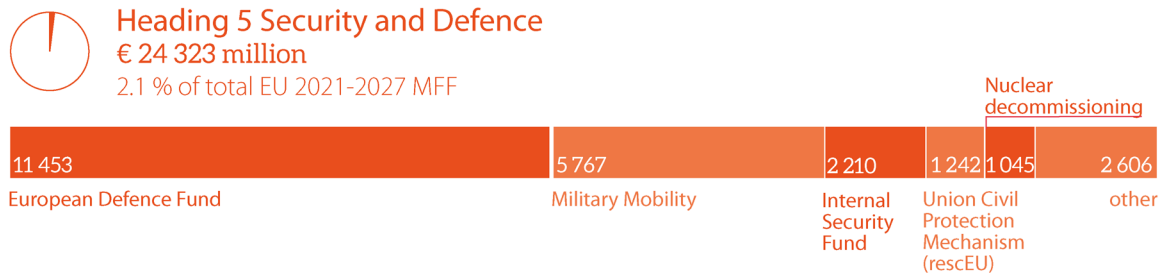
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Overall structure and allocation

For 2021-2027, the European Commission has [proposed](#) a new multiannual financial framework for the Union budget totalling €1 134 583 million in commitments (2018 prices).¹ As presented in a [table](#) attached to the proposal for the [MFF Regulation](#), this amount is divided into seven categories, called 'headings' which broadly represent EU priorities. Heading 5, entitled 'Security and defence', has total allocations of €24 323 million and is the smallest heading in the proposal (2.1 % of the total 2021-2027 MFF).² The margin in Heading 5 amounts to 6.6 %. See Figure 1 for the overall financial allocations to main instruments under Heading 5.

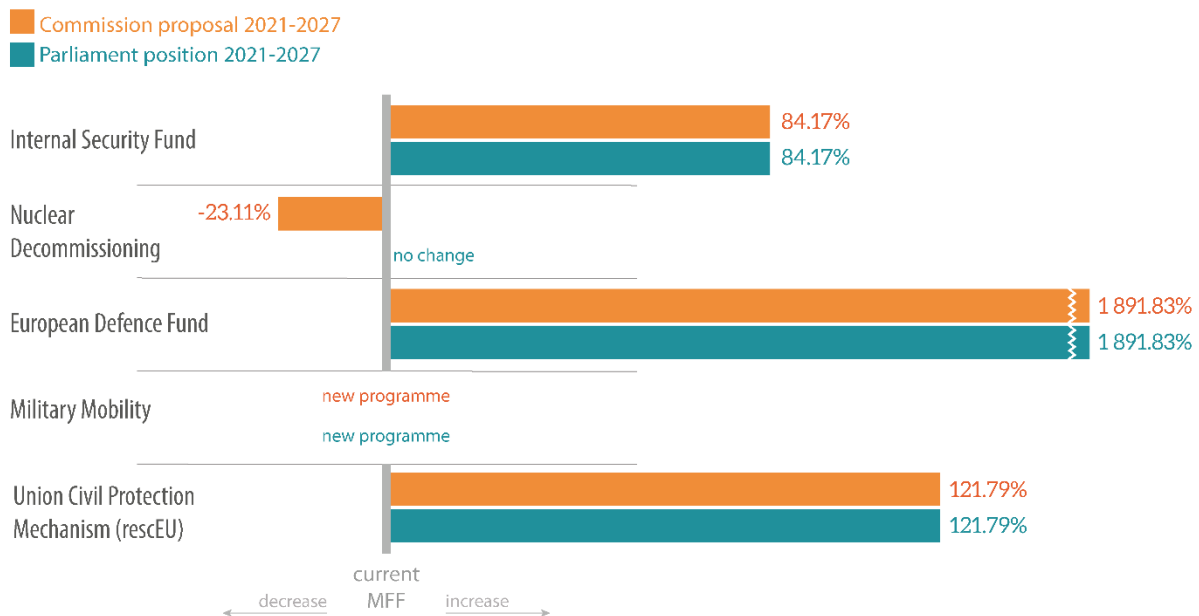
Figure 1 – Composition of Heading 5 as proposed by the European Commission



Source: EPRS, Parry/Sapała 2018. Modified.

The new MFF proposal consists of 17 policy clusters. Heading 5 includes the following policy clusters: security (policy cluster number 12), defence (13) and crisis response (14). The majority of the security and defence programmes are provided with substantially increased allocations, compared to the current (2014-2020) MFF, as depicted in Figure 2.

Figure 2 – European Commission proposal and European Parliament position compared to 2014-2020 MFF (Heading 5 – Security and Defence).



Source: EPRS, based on the European Parliament [resolution of 14 November 2018](#).

The largest item under Heading 5 is the newly created European Defence Fund, which builds on the 2014-2020 MFF preparatory action on defence research,³ which aimed at boosting investment in collaborative defence research among the EU Member States and on the European Defence Industrial Development Programme.⁴ Under the 2021-2027 MFF, their collective budget increases almost twenty-fold (from €575.3 million to €11.5 billion). In addition, the proposed MFF includes a new €5.8 billion 'military mobility' budget, earmarked within the transport envelope of the

Connecting Europe Facility, to upgrade EU transport infrastructure so that military assets can be moved swiftly between EU countries. This heading also includes the Internal Security Fund (ISF) (+84 %, as compared to the 2014-2020 financial envelopes), which brings together the current ISF and the current justice programme. The Union Civil Protection Mechanism, 'RescEU' (with an increase of +122 % in 2021-2027), based on the current MFF civil protection mechanism, is also placed under Heading 5.

The proposal to increase EU spending in these areas, and to introduce a separate heading for security and defence in the MFF structure, reflects mounting pressure for EU action in this area.

Three policy clusters: security, defence and crisis response

Heading 5 consists of three policy clusters, namely cluster 12 'Security', cluster 13 'Defence' and cluster 14 'Crisis response'.

Policy cluster 12: Security

The security policy cluster encompasses several items: the Internal Security Fund, nuclear decommissioning and three EU decentralised agencies.

The Internal Security Fund⁵ for 2021-2027 [proposed](#) by the Commission has the general objective of contributing to ensuring a high level of security in the European Union, by tackling terrorism and radicalisation, serious and organised crime and cybercrime and by assisting and protecting victims of crime. The Fund shall contribute to the following specific objectives to:

- increase the exchange of information among and within Union law enforcement and other competent authorities and other relevant Union bodies, as well as with third countries and international organisations;
- intensify cross-border joint operations among and within Union law enforcement and other competent authorities in relation to serious and organised crime with a cross-border dimension;
- support efforts to strengthen capabilities in relation to combating and preventing crime including terrorism, in particular through increased cooperation between public authorities, civil society and private partners across the Member States.

Three EU decentralised agencies fall under the security policy cluster: the European Union Agency for Law Enforcement Cooperation (Europol), the European Union Agency for Law Enforcement Training (CEPOL) and the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). In total, the Commission [proposes](#) an allocation of €1 001 million for those agencies under the new MFF. The allocations proposed mean the current MFF funding level will be continued approximately as before.

Following signature of the EU-Lithuania Accession Agreement, the EU continues to support Lithuania in decommissioning the Ignalina nuclear plant. For the 2021-2027 MFF, the Commission [proposes a new regulation](#), establishing the relevant assistance programme. The financial envelope proposed for the implementation of the programme was €552 million in current prices.

The Commission also [proposes](#) a Dedicated Financial Programme for the 'Decommissioning of Nuclear Facilities and Management of Radioactive Waste'. The aim of the Programme is to support Bulgaria and Slovakia in safely decommissioning their first generation nuclear reactors, and the implementation of the decommissioning process and management of radioactive waste of the Commission's own nuclear installations at the Joint Research Centre (JRC) sites. The financial envelope for the implementation of the Programme for 2021-2027 shall be €466 million in current prices. The detailed distribution is as follows:

- €63 million for the Kozloduy (Bulgaria) programme;
- €55 million for the Bohunice (Slovakia) programme;
- €348 million for the JRC decommissioning and waste management programme.

Policy cluster 13: Defence

The European Commission [estimated](#) that the lack of cooperation between EU Member States in the field of security and defence cost between €25 billion and €100 billion every year.

According to the [Commission proposal](#), the European Defence Fund's objective is to foster the competitiveness, efficiency and innovation capacity of the European defence industry, by supporting collaborative action and cross-border cooperation between legal entities throughout the Union, including small and medium-sized enterprises. Moreover, the proposal underlines that the Fund should promote better exploitation of the industrial potential of innovation, research and technological development, at each stage of the industrial life cycle, thus contributing to the Union's strategic autonomy.

Furthermore, the draft regulation lists the specific objectives of the European Defence Fund. The Fund should support collaborative research and development projects that could significantly boost the performance of future defence capabilities, including introducing new defence products and technologies. The Fund should thus contribute to greater efficiency in defence spending within the Union, achieving greater economies of scale, reducing the risk of unnecessary duplication and reducing the fragmentation of defence products and technologies throughout the Union. As one of the end results, the Fund is expected to lead to greater interoperability between Member States' defence capabilities. The financial envelope for the implementation of the European Defence Fund for 2021-2027, according to the Commission, shall be €13 billion (in current prices). The distribution of this amount should indicatively allocate up to €4.1 billion for research and €8.9 billion for development (again in current prices).

Another action under the defence policy cluster is support for military mobility.⁶ The Commission [proposes](#) to finance the military mobility programme through the [Connecting Europe Facility](#). The overarching objective of this action is to finance development of the Union's strategic transport infrastructures to make them fit for dual civilian and military mobility. For the new MFF the Commission proposes to allocate €6.5 billion (in current prices) to the military mobility objective under CEF–Transport.

Policy cluster 14: Crisis response

For the 2021-2027 MFF, the European Commission did not propose a new legal base for the Union Civil Protection Mechanism. Instead, [it proposes](#) only to update the budgetary provisions and therefore put forward amendments to [Decision No 1313/2013/EU](#) of the European Parliament and of the Council on a Union Civil Protection Mechanism.

In the Commission's proposal for the 2021-2027 MFF, €1.4 billion (in current prices) has been allocated for implementing the Union Mechanism for that period. In the meantime, the EU has decided to upgrade its crisis response capacity by establishing a common European reserve of resources, called 'rescEU'. The proposed budgetary allocation therefore reflects the tasks for the Union Mechanism as decided in the [rescEU decision](#) of March 2019.

The additional budget will allow the following to be carried out:

- reinforcement of the collective capacity of the Member States and the EU to respond to disasters by creating a dedicated reserve of response capacities (rescEU);
- provision of higher (or new) EU co-financing to adapt, repair, transport and/or operate capacities that are committed to the European Civil Protection Pool;⁷
- increased focus on prevention and on improving coherence with other key EU policies;
- creation of a civil protection knowledge network;
- strengthened cooperation with neighbourhood countries.

European Parliament position

In its [resolution of 14 November 2018](#), the European Parliament expressed its position on the draft multiannual financial framework 2021-2027 proposed by the Commission. The Parliament has, to a large extent, agreed with the Commission's figures for Heading 5 – Security and defence, with some exceptions. The major change demanded by the Parliament concerns the EU financing of nuclear decommissioning, which the Parliament found insufficient, arguing that the Commission proposal represents a reduction in real terms. Instead, the Parliament calls for 2014-2020 funding levels to be maintained (see Figure 1).

After the European elections of May 2019, the new European Parliament confirmed [its position on the new 2021-2027 MFF](#). The Parliament underlined the necessity to match the new policy priorities with additional financial means, and highlighted defence policy in this context.

The European Parliament has only a limited role in secondary legislation stemming from the Euratom Treaty, where it can be consulted only and the Council is under no obligation to follow Parliament's opinion. This procedure will also apply to the proposal for a financing programme for the 2021-2027 MFF. The Parliament's legislative resolution calls for an increase of the budget allocation to €780 million in current prices, in order to address a financing gap [estimated](#) at €1 548 million to finalise the decommissioning by 2038.

The Finnish Presidency proposal, known as the '[negotiating box](#)', was published on 5 December 2019. The proposal makes severe cuts to the allocation for Heading 5, from the €24 639 million proposed by the Commission to €14 691 million. The European Defence Fund and the military mobility programme were the most affected, reduced by almost half. The Commission's allocations for nuclear decommissioning were also cut, even though the European Parliament had already found them insufficient to meet the needs.

The European Parliament MFF negotiating team [reacted negatively](#) by stating that the Finnish proposal for the next long-term budget of the EU does not meet the EU commitments.

The Finnish negotiating box was discussed at the [European Council](#) on 12 December 2019, but failed to obtain the support of the Member States, and EU leaders 'called on the European Council President Charles Michel to take the negotiations forward with the aim of reaching a final agreement'.

On 20 December 2019, the leaders of the political groups in the European Parliament [agreed](#) to suspend parts of the negotiations with the Council on the new MFF, arguing that the Council fails to make progress. The President of the European Parliament David Sassoli underlined that 'we are ready to negotiate in a spirit of constructive dialogue but we cannot accept a budget that is unable to deliver on the promises made to EU citizens. Until there is progress on the Council side, we cannot continue these talks'.

MAIN REFERENCES

Proposal for a Council regulation establishing a dedicated financial programme for decommissioning of nuclear facilities and management of radioactive waste, and repealing Council Regulation (Euratom) No 1368/2013 ([COM/2018/467 final](#)), 13 June 2018.

Proposal for a Council regulation establishing the nuclear decommissioning assistance programme for the Ignalina nuclear power plant in Lithuania (Ignalina programme); and repealing Council Regulation (EU) No 1369/2013 ([COM/2018/466 final](#)), 13 June 2018.

Proposal for a Council regulation laying down the multiannual financial framework for the years 2021-2027 ([COM/2018/322 final](#)), 2 May 2018.

Proposal for a decision of the European Parliament and of the Council amending Decision No 1313/2013/EU of the European Parliament and of the Council on a Union Civil Protection Mechanism ([COM/2019/125 final](#)), 7 March 2019.

Proposal for a regulation of the European Parliament and of the Council establishing the European Defence Fund ([COM/2018/476 final](#)), 13 June 2018.

Proposal for a regulation of the European Parliament and of the Council establishing the Internal Security Fund ([COM\(2018\)472 final](#)), 13 June 2018.

Proposal of the High Representative of the Union for Foreign Affairs and Security Policy, with the support of the Commission, to the Council, for a Council decision establishing a European Peace Facility <http://data.consilium.europa.eu/doc/document/ST-9736-2018-INIT/en/pdf>, 13 June 2018.

Communication from the European Commission, 'A Modern Budget for a Union that Protects, Empowers and Defends. The Multiannual Financial Framework for 2021-2027' ([COM/2018/321 final](#)), 2 May 2018.

European Parliament [resolution](#) of 14 November 2018 on an Interim report on the Multiannual Financial Framework 2021-2027 – Parliament's position with a view to an agreement.

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Parry M. and Sapała M., [2021-2027 multiannual financial framework and new own resources. Analysis of the Commission's proposal](#), EPRS, European Parliament 2018.

Annex 1 – Proposed 2021-2027 MFF Heading 5

(€ million – 2018 prices)	2014-2020 MFF	COM proposal 2021-2027	EP position 2021-2027	Finnish EU Presidency proposal
Heading 5– Security and Defence	1 964	24 323	24 639	14 691
Policy cluster 12 – Security	3 455	4 255	4 571	No data (nd)
Internal Security Fund	1 200	2 210	2 210	1 705
Nuclear Decommissioning including:	1 359	1 045	1 359	1 045
Nuclear Decommissioning (Lithuania)	459	490	692	490
Nuclear safety and decommissioning (incl. for Bulgaria and Slovakia)	900	555	667	555
Decentralised agencies	896	1 001	1 002	nd
13. Defence	575	17 220	17 220	8 514
European Defence Fund	575	11 453	11 453	6 014
Military mobility	0	5 767	5 767	2 500
14. Crisis Response	1 222	1 242	1 242	nd
Union Civil Protection Mechanism (rescEU)	560	1 242	1 242	nd
Other	662	p.m.	p.m.	nd
Margin	-3 289	1 606	1 606	nd

Source: EPRS, based on European Parliament resolution of 14 November 2018 and on Finnish EU Presidency proposal of 5 December 2019.

ENDNOTES

- ¹ Unless otherwise indicated, all prices in this analysis are constant (2018) and all comparisons between 2014 to 2020 figures and proposed 2021 to 2027 figures are based on estimations excluding the United Kingdom and including the European Development Fund. The other assumptions for calculations are the same as in: M. Parry and M. Sapała, [2021-2027 multiannual financial framework and new own resources. Analysis of the Commission's proposal](#), EPRS, European Parliament, 2018.
- ² Heading 5 covers the internal aspects of security and defence, while external dimensions of security and defence are included under Heading 6: 'Neighbourhood and the World'. For more detail on Heading 6, see V. Lilyanova, [Neighbourhood and the world, Heading 6 of the 2021-2027 MFF](#), EPRS, European Parliament, 2019.
- ³ For more information on the preparatory action on defence research, you might read V. Reillon, [Preparatory action on defence research](#), EPRS, European Parliament 2016. For general information on preparatory actions in the EU budget you could consult S. Mazur, [Pilot projects and preparatory actions in the annual EU budgetary procedure](#), EPRS, European Parliament, 2019.
- ⁴ For more information on the European defence industrial development programme (EDIDP) see C. Scheinert, [European defence industrial development programme \(EDIDP\)](#), EPRS, European Parliament, 2018.
- ⁵ The Internal Security Fund for 2021-2027 is the continuation of the police instrument of the current Internal Security Fund (ISF Police). The other instrument of the current Internal Security Fund, namely ISF Borders and Visa, will move to Heading 4: Migration and border management of the new MFF. For 2021-2027, the Commission [proposed](#) to establish the instrument for financial support for border management and visa within the Integrated Border Management Fund.
- ⁶ The military mobility dimension of European defence cooperation is being addressed by means of an action plan by the European Commission, a project and commitment under permanent structured cooperation, and a key action for EU-NATO cooperation. For more detail, consult T. Latici, [Military mobility](#), EPRS, European Parliament 2019.
- ⁷ The European Civil Protection Pool is established by [the rescEU Decision](#) and is defined as 'a pool of voluntarily pre-committed response capacities of the Member States and includes modules, other response capacities and categories of experts'.

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