



EU BUDGET FOR THE FUTURE

#EUBudget #EUdefence



13 June 2018

THE EUROPEAN DEFENCE FUND



WHY DO WE NEED A EUROPEAN DEFENCE FUND?

In a world where geopolitical instability is increasing and new threats like cyber-attacks transcend borders, the European Union needs to take greater responsibility for defending and protecting its citizens, their values and way of life.

The European Union cannot substitute Member States' efforts in defence, but it can encourage their collaboration in developing and acquiring the technologies and equipment needed to address common security and defence challenges. The European Union is stepping up its contribution to Europe's collective security and defence, working closely with its partners, beginning with the North Atlantic Treaty Organisation (NATO).



3/4 of Europeans want a reinforced Common Security and Defence Policy



WHAT IS THE FUND?

The **European Defence Fund** will contribute to Europe's strategic autonomy in protecting and defending its citizens. It will coordinate, supplement and amplify national investments in defence.

The Fund will promote cooperation among Member States in producing state-of-the-art and interoperable defence technology and equipment. It will strongly encourage the participation of small and medium-sized enterprises in collaborative projects and foster breakthrough innovation solutions.



WHAT WILL THE FUND ACHIEVE?



Act as a catalyst for an innovative and competitive industrial and scientific base which is able to meet Europe's defence needs with cutting-edge, fully interoperable technology and equipment;



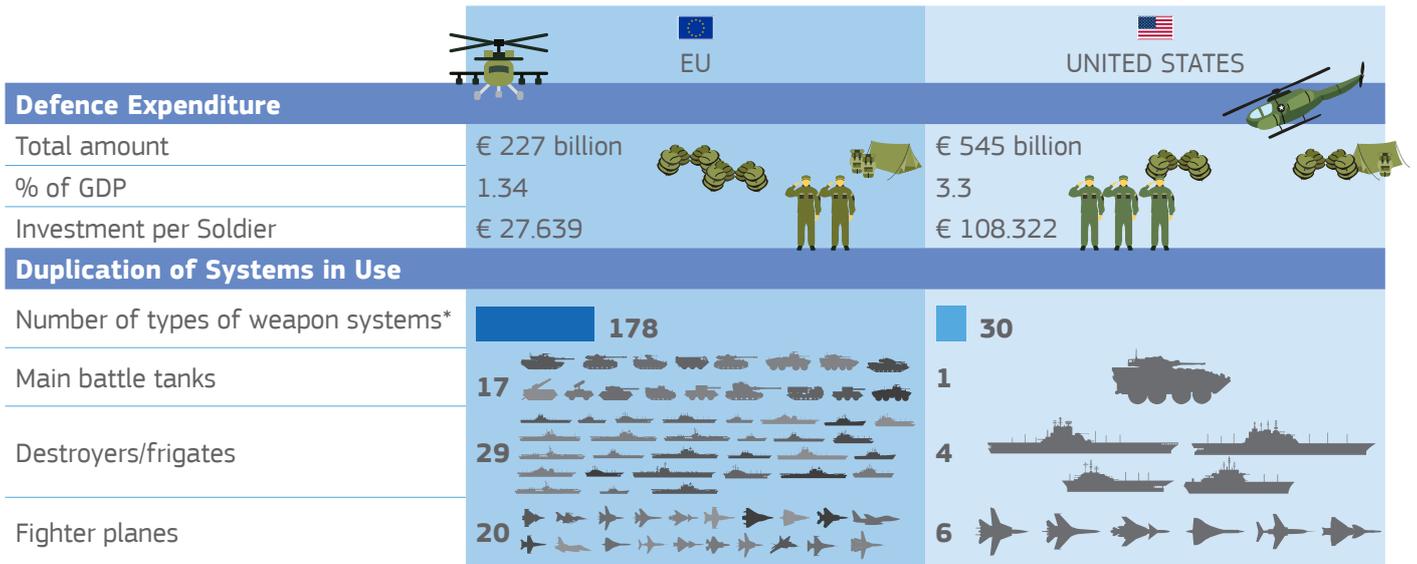
By pooling resources, Member States can get better value for their investment and develop technologies and equipment that would not be attainable working independently.



Offering support all along the research and development parts of the lifecycle will make sure that the results of research are not lost due to the lack of funding for developing prototypes and testing the technology.



THE COST OF CURRENT FRAGMENTATION AND INEFFICIENCIES



* Number of types of weapon systems for selected weapon systems categories
 Source: NATO, International Institute for Strategic Studies, SIPRI, Munich Security Report 2017



Lack of cooperation between Member States in the field of security and defence is estimated to cost between €25 billion and €100 billion every year.



Currently, around 80% of defence procurement is run on a purely national basis, leading to a costly duplication of military capabilities.



Since 2010, less than €200 million has been spent each year on collaborative European research and technology in the field of defence.



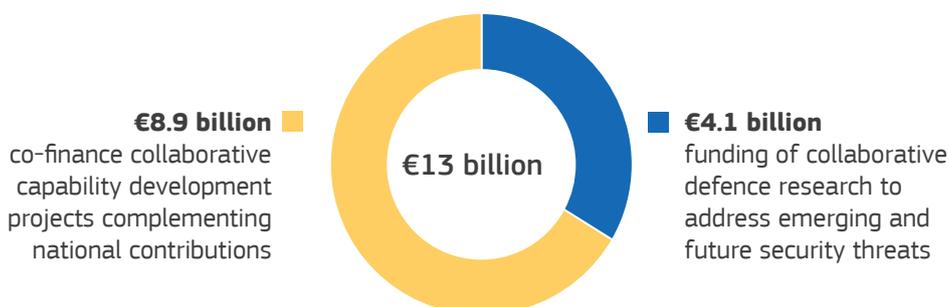
HOW IS IT FINANCED?

The Commission proposes a budget of **€13 billion** for 2021-2027 be dedicated to the European Defence Fund.

The EU will become one of the top 4 defence research investors in Europe.

The European Defence Fund support can be complemented by the deployment of financial support under the InvestEU Fund targeting the defence sector.

EU BUDGET DEDICATED TO THE EUROPEAN DEFENCE FUND



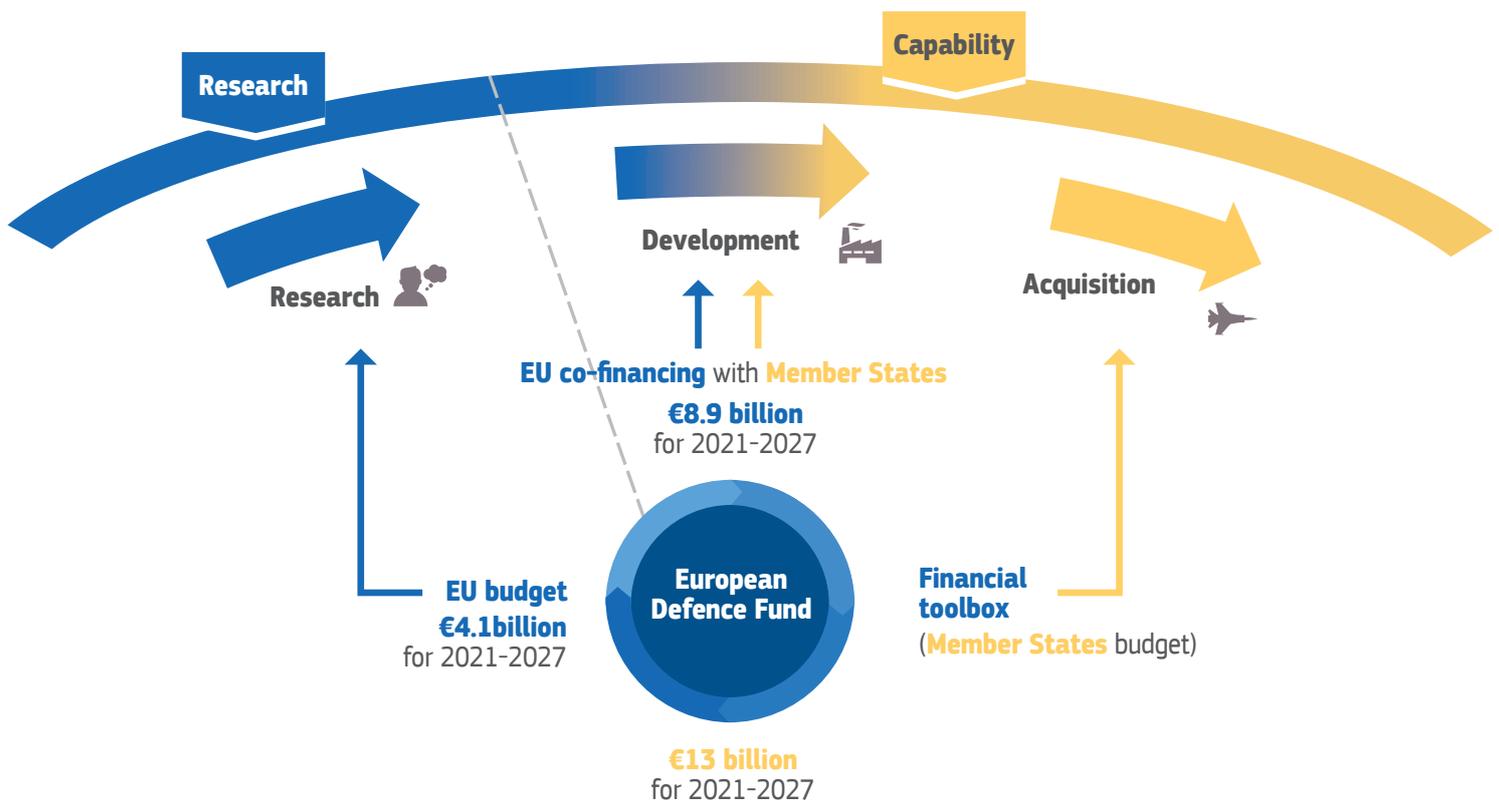


HOW WILL THE FUND WORK?

The Fund will support competitive and collaborative defence projects throughout the entire cycle of research and development for a bigger impact.

The EU will directly finance total costs during the research phase, in particular through grants. After that phase, the Fund will complement Member States' investment by co-financing up to 20% of the costs for prototype development and up to 80% of ensuing certification and testing activities.

The Fund does not cover the acquisition phase. However, when Member States decide jointly to acquire a capability, for instance by jointly procuring helicopters, the Commission can offer practical support, helping to select effective financial arrangements, providing terms and framework agreements and advice on ownership structures.



- **Only collaborative projects** are eligible. Any project should have at least 3 participants from 3 different Member States.
- **Projects will be defined along priorities set with Member States** aiming at contributing to the security and defence interests of the Union, in line with defence capability priorities agreed by Member States within the framework of the Common Security and Defence Policy and other regional and international organisations (NATO).
- The Fund will incentivise the **cross-border participation of SMEs** by providing higher financing rates and favouring projects by consortia which include SMEs.
- **5% of the budget will be set aside for disruptive, high-risk innovation** that will boost Europe's long-term technological leadership and defence autonomy.
- To ensure that EU resources are put to good use, the Fund will only co-finance development of common prototypes where **Member States commit to buying the final product**. No capability will be owned by the EU.
- If eligible, **Permanent Structured Cooperation (PESCO)** projects may receive a higher EU co-financing rate (co-funding bonus of additional 10%), but contribution by the Fund is not automatic.



WHAT HAVE BEEN THE STEPPING STONES TO THE FUND?

The Fund builds on efforts taken by the Juncker Commission to promote and test defence cooperation.

€90 million from the EU budget for 2017-2019 have been allocated to defence research and a first set of EU grants for defence research projects have already been signed. Among them, with a €35 million grant, the Ocean2020 project supports maritime surveillance and interdiction missions at sea and to that end will integrate drones and unmanned submarines into fleet operations. New calls for defence research proposals will be launched soon.

The Commission also launched the European Defence and Industrial Development Programme (EDIDP) with €500 million foreseen in 2019 and 2020. The European Parliament and Council have found a provisional agreement on the programme, which will become applicable in January 2019.



HOW WILL THE FUND COMPLEMENT OTHER INITIATIVES IN THE AREA OF DEFENCE?

- Ensuring close links between the European Defence Fund and the projects implemented within the framework of the Permanent Structured Cooperation in defence (**PESCO**).
- Supporting other defence-related activities through the €10.5 billion **European Peace Facility**, an off-budget instrument proposed outside the Multiannual Financial Framework. The facility aims to increase the EU's support to peace operations by third parties worldwide; to cover joint costs of Common Security and Defence Policy military missions (now covered under the Athena mechanism); to enable the EU to engage in broader actions aimed at supporting partner countries' armed forces with infrastructure, equipment or military technical assistance.
- A dedicated budget of €6.5 billion will be earmarked in the Connecting Europe Facility to enhance the EU's strategic transport infrastructures to make them fit for **military mobility**.
- Boosting cooperation effectiveness with the new €100 billion research and innovation programme **Horizon Europe** will ensure that results under civil research can benefit the development of defence capabilities and vice versa. This will help avoid unnecessary duplication.