

European Defence Fund 2021–2027

2018/0254(COD) - 13/06/2018 - Legislative proposal

PURPOSE: to establish the European defence fund for the period 2021-2027.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: in an environment marked by the emergence of new threats, such as hybrid and cyber-attacks, and the return of more conventional dangers, EU citizens and their political leaders agree that the EU should collectively take more responsibility for its security.

The defence sector is largely fragmented across national borders, with considerable duplication, resulting in inefficiencies that prevent economies of scale. At the same time, the cost of defence equipment and in particular R&D costs have increased, while **cooperation between Member States on investment in R&D and defence equipment has remained limited**. In 2015, only 16% of defence equipment was procured through European collaborative procurement.

In June 2017, the Commission adopted a [communication](#) launching the European Defence Fund consisting of 'windows' for research and for capability. The communication was accompanied by a [legislative proposal for a Regulation](#) establishing the European defence industrial development programme under the capability window.

A two-step approach was proposed, involving:

- **an initial test period under the 2014-2020 multi-annual financial framework** during which a preparatory action on defence research supports collaborative defence research, while the proposed European defence industrial development programme shall co-finance collaborative development projects; and
- **a dedicated fund under the 2021-2027 multi-annual financial framework** scaling up the funding for collaborative research in innovative defence products and technologies and for subsequent stages of the development cycle, including the development of prototypes.

CONTENT: the proposal for a Regulation - presented for a Union of 27 Member States - concerns the establishment of the **European defence fund** under the multiannual financial framework for the period 2021-2027 with a view to fostering the competitiveness and innovation capacity of the European defence industry and technological base and thus contributing to the strategic autonomy of the Union.

The new fund shall **promote cooperation between Member States** and contribute to cost savings in the production of interoperable and advanced defence technologies and equipment. Its objective shall be:

- **support collaborative research projects** that could significantly boost the performance of future capabilities, aiming at maximising innovation and introducing new defence products and technologies, including disruptive ones;
- **support collaborative development projects of defence products and technologies** consistent with defence capability priorities commonly agreed by Member States within the framework of the Common Foreign and Security Policy. It shall contribute to greater efficiency of defence spending within the Union, achieving greater economies of scale, reducing the risk of unnecessary

duplication and as such reducing the fragmentation of defence products and technologies throughout the Union.

Eligible actions: the proposed Regulation shall enable the Commission to set up a financing programme, implemented mainly through grants awarded following annual calls for proposals. Cross-border participation of **SMEs** and mid-cap companies shall be encouraged by offering higher financing rates.

To be eligible, actions shall, in principle, be carried out in cooperation between at least **three legal entities based in at least three different Member States and/or associated countries**. Furthermore, the EU shall only co-finance the development of common prototypes if Member States commit themselves to buying the final product.

Once assessed as eligible, a 'PESCO bonus', in the form of a higher funding rate, shall be granted to eligible **permanent structured cooperation** in defence projects.

The fund shall also take into account defence activities implemented through the **European peace facility**, an off-budget instrument proposed outside the multi-annual financial framework.

Proposed budget: the Fund shall have an overall budget of **EUR 13 billion** (at current prices) for the period 2021-2027, of which:

- **EUR 4.1 billion** for collaborative research actions on new and future security threats;
- **EUR 8.9 billion** for collaborative capacity development projects, in addition to national contributions.

Up to 5% of the financial envelope shall be devoted to support **disruptive technologies** for defence.