

European Defence Fund 2021–2027

2018/0254(COD) - 19/03/2021 - Council position

The Council adopted its position at first reading with a view to the adoption of a regulation of the European Parliament and of the Council establishing the European Defence Fund and repealing regulation (EU) 2018/1092.

The proposed regulation concerns the establishment of the European Defence Fund for the period from 1 January 2021 to 31 December 2027, which corresponds to the duration of the multiannual financial framework 2021-2027.

Aim of the Fund

The overall objective of the Fund is to foster the competitiveness, efficiency and innovation capacity of the European defence technological and industrial base across the Union, thereby contributing to the Union's strategic autonomy and freedom of action:

- supporting collaborative actions and cross-border cooperation between legal entities across the Union, in particular SMEs and mid-cap companies;
- strengthening and improving the agility of defence supply and value chains
- widening cross-border cooperation between legal entities, and
- promoting better exploitation of the industrial potential of innovation, research and technological development at each stage of the industrial life cycle of defence products and technologies.

Eligible entities

Recipients and subcontractors participating in an action should be established in the Union or in an associated country.

The Council's position states that the infrastructure, facilities, assets and resources of the recipients and subcontractors involved in an action which are used for the purposes of an action supported by the Fund shall be located on the territory of a Member State or of an associated country for the entire duration of an action, and their executive management structures shall be established in the Union or in an associated country.

Recipients and subcontractors participating in an action should not be subject to the control of a non-associated third country or a non-associated third country entity.

A legal entity established in the Union or in an associated country and controlled by a non-associated third country or a non-associated third country entity could be eligible only if guarantees approved by the Member State or the associated country in which it is established are made available to the Commission.

The guarantees should provide assurances that participation in an action by such a legal entity would not contravene the security and defence interests of the Union and its Member States.

Eligible actions

To be eligible, actions should, in principle, be carried out in the framework of a consortium of at least three legal entities established in at least three different Member States and/or associated countries.

The Council's position provides for an additional 10 percentage points of funding for actions implemented in the framework of permanent structured cooperation (PESCO).

An activity could benefit from an increased funding rate when at least 10% of the total eligible costs of the activity are allocated to midcaps established in Member States or associated countries and participating in the activity as recipients or as entities in the supply chain.

The results of the research actions financially supported by the Fund would be the property of the recipients who generated them.

Ethics

The EU would not co-finance: (i) actions to develop products and technologies whose use, development or manufacture is prohibited by international law; and (ii) actions to develop autonomous lethal weapons without the possibility of significant human control over selection and engagement decisions taken against human beings.

However, it would be possible to fund actions to develop early warning systems and countermeasures for defensive purposes.

Governance

The Council position confers implementing powers on the European Commission to adopt work programmes and to allocate funds to selected research and development actions. The Fund would be implemented under direct management but, by way of derogation, in justified cases, specific actions may be implemented out under indirect management.

Budget

The Fund would have an overall budget of **EUR 7 953 000 000** (at current prices) for the period 2021-2027, of which:

- EUR 2 651 000,000 for research actions;

- EUR 5 302 000 000 for development actions.

In order to deal with unforeseen situations or new needs, the Commission could reallocate up to 20% of the amount allocated to research or development actions. At least 4% and up to 8% of the financial envelope should be allocated to calls for proposals or awards of funding supporting disruptive technologies for defence.