

# Local leaders support the European Defence Fund

The European Committee of the Regions has adopted an opinion on the ‘ [Proposal for a European Defence Fund](#) ’ lead by Rapporteur Dainis Turlais (LV/ALDE), member of the Riga City Council. The diversification of security threats – from armed conflicts to terrorism, illegal immigration and cyber-attacks- is forcing Europe to increase cross-border cooperation on defence. The new fund is to contribute to EU’s strategic autonomy and maximise the market potential of the defence industry. The lack of cooperation between Member States in the field of security and defence is estimated to cost between €25 billion and €100 billion annually (European Parliament, 2003). Adopted Friday 23 March, the opinion feeds into the ongoing inter-institutional negotiation, to continue next April with a final agreement foreseen in early May 2018.

The EU’s assembly of local and regional leaders has given its support to the [European Defence Fund](#) (EDF), a new instrument launched by the European Commission in June 2017 to enhance Europe’s strategic autonomy and the innovation capacity of the defence industry. The EDF will focus on cross-border cooperation projects. It comprises an Industrial Development Programme and a new co-financing system with Member States to incentivise further cooperation on defence products and technologies.

“This is about Europe being a united global player and a strong security and defence actor. The US spends 3.3% of its GDP on defence while we only reach 1.3%. If we want peace we need to be strong. There are no Member States smaller or weaker than others. There is just one EU, united, strong and powerful. The European Defence Fund must succeed and support Member States, regions and entrepreneurs in achieving this goal”, said Rapporteur Dainis Turlais (LV/ALDE).

Local leaders consider essential that the new fund gives specific support to SMEs, in particular those developing dual-use technologies – for both civil and military use – as they are an outstanding opportunity for jobs and growth. This reinforces the need for the EDF to give specific support to strategic domains, from robotics, to space technologies, including navigation systems and high performing computing.

Cities and regions request that the EDF work programme allocates 20% of the overall budget to cross-border participation of SMEs. Members defend that consortia with a larger number of participating SMEs are given priority. Equally, award criteria should include additional points for consortia in which several undertakings and Member States are involved.

The Assembly of local and regional representatives requests to carefully examine whether contractors really come from the EU. The main contractors and sub-contractors must be EU-based and undertakings must be at least half-owned by EU Member States or natural or legal persons, and must be effectively

controlled by European capital. The management and actual control of these companies must be locatable in the European Union, recalls the CoR.

The Fund includes two strands: research and development-acquisition. Members have requested the European Commission that the €500 million foreseen for 2019-2020 within the defence and industrial development strand are exclusively drawn from unallocated margins in order not to penalise already budgeted programmes.

In line with the [#CohesionAlliance](#), the fund “must not reduce allocations for cohesion policy in any way”, Members insist.

On EDF’s research branch, EUR90 million are foreseen until the end of 2019 with EUR25 million having already been allocated in 2017 for projects in the areas of naval environment and soldiers systems.

To ensure sufficient transparency in the management of the EDF, which may be operated by the European Defence Agency, the CoR requests the European Commission to take example of the functioning of EU executive agencies, which are responsible to the European Parliament and not to the European Council exclusively.

The opinion of the European Committee of the Regions feeds into the ongoing inter-institutional negotiation which will continue next April with a final agreement to be reached early May 2018.

### **Background:**

The lack of cooperation between Member States in the field of defence and security is estimated to cost annually between €25 billion and €100 billion (EPRS, European Parliament, 2013). 80% of procurement and more than 90% of Research and Technology are run on a national basis (European Defence Agency, 2014). Up to 30% of annual defence expenditures could be saved through pooling of procurement (Munich Security Report, 2017).

In November 2016, the Commission adopted the European Defence Action Plan, which sets out measures to achieve greater European defence cooperation and support the competitiveness of the European defence industry.

A core proposal of the European Defence Action Plan is the establishment of a European Defence Fund to support investment in joint research and the joint development of defence equipment and technologies.

The European Defence Fund has two strands:

- **Research** : The research aspect of the Fund is already delivering. Starting in 2017, the EU will for the first time offer grants for collaborative research in innovative defence technologies and products, fully and directly funded from the EU budget. Projects eligible for EU funding will focus on priority areas previously agreed by Member States, and could typically include electronics, metamaterials, encrypted software or robotics. This will be financed with:

**€90 million** until the end of 2019, with €25 million allocated for 2017. A call for proposals is being launched today for projects in the areas of unmanned systems in a naval environment and soldiers systems. The signature of the first grant agreements is expected by the end of this year.

**€500 million** per year after 2020. In 2018, the Commission will propose a dedicated EU defence research programme with an estimated annual budget of €500 million making the EU one of the biggest defence research investors in Europe.

- **Development and acquisition** : The Fund will create incentives for Member States to cooperate on joint development and the acquisition of defence equipment and technology through co-financing from the EU budget and practical support from the Commission. Member States may for example jointly invest in developing drone technology or satellite communication, or bulk buy helicopters to reduce costs. Only collaborative projects will be eligible, and a proportion of the overall budget will be earmarked for projects involving cross-border participation of SMEs. The EU will offer co-financing with:

**€500 million** in total for 2019 and 2020, under a dedicated defence and industrial development programme proposed today.

**€1 billion** per year after 2020. A more substantial programme will be prepared for post-2020, with an estimated annual budget of €1 billion. The programme will leverage national financing with an expected multiplying effect of 5. It could therefore generate a total investment in defence capability development of €5 billion per year after 2020. (Source: EC).

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