



THE EUROPEAN DEFENCE FUND

#EUDefenceIndustry

April 2021



WHAT IS THE FUND?

The European Defence Fund (EDF) is the Commission's initiative to support defence cooperation across the Union. The Fund will support collaborative defence research and development and foster an innovative and competitive defence industrial base. The **European Defence Fund** will contribute to the strategic autonomy and resilience of the Union and its Member States. It will coordinate, supplement and amplify national investments in defence.

Without substituting Member States' efforts, the Fund will promote cooperation among companies and research actors throughout the EU, in research and development of state-of-the-art and interoperable defence technology and equipment. It will foster breakthrough innovation and the participation of small and medium-sized enterprises (SMEs) in collaborative projects.



WHAT WILL THE FUND ACHIEVE?



By supporting innovative technologies and enhancing the competitiveness of the European Defence industrial base, Member States will get state of the art equipment meeting their defence needs.



By pooling resources and defragmenting defence industrial market, Member States will get better value for their investments and develop technologies and equipment that would be out of reach working independently.



Offering support all along the research and development parts of the lifecycle to 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

DEFENCE EXPENDITURE

Total amount
% of GDP
Investment per Soldier

EUROPEAN UNION

€ 227 billion
1.34
€ 27.639



UNITED STATES

€ 545 billion
3.3
€ 108.322



DUPLICATION OF SYSTEMS IN USE

Number of types of weapon systems* **178**



30



Main battle tanks

17



1



Destroyers/frigates

29



4



Fighter planes

20



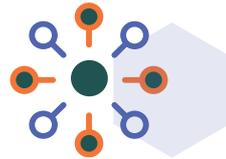
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* Number of types of weapon systems for selected weapon systems categories
Source: NATO, International Institute for Strategic Studies, SIPRI, Munich Security Report 2017



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 defence 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?

A budget of **€8 billion** for 2021-2027 is dedicated to the European Defence Fund. The EU will become one of the top 3 defence research investors in Europe.

EU BUDGET DEDICATED TO THE EUROPEAN DEFENCE FUND

€5.3 billion

co-finance collaborative capability development projects complementing national contributions



€2.7 billion

funding of collaborative defence research to address emerging and future security threats



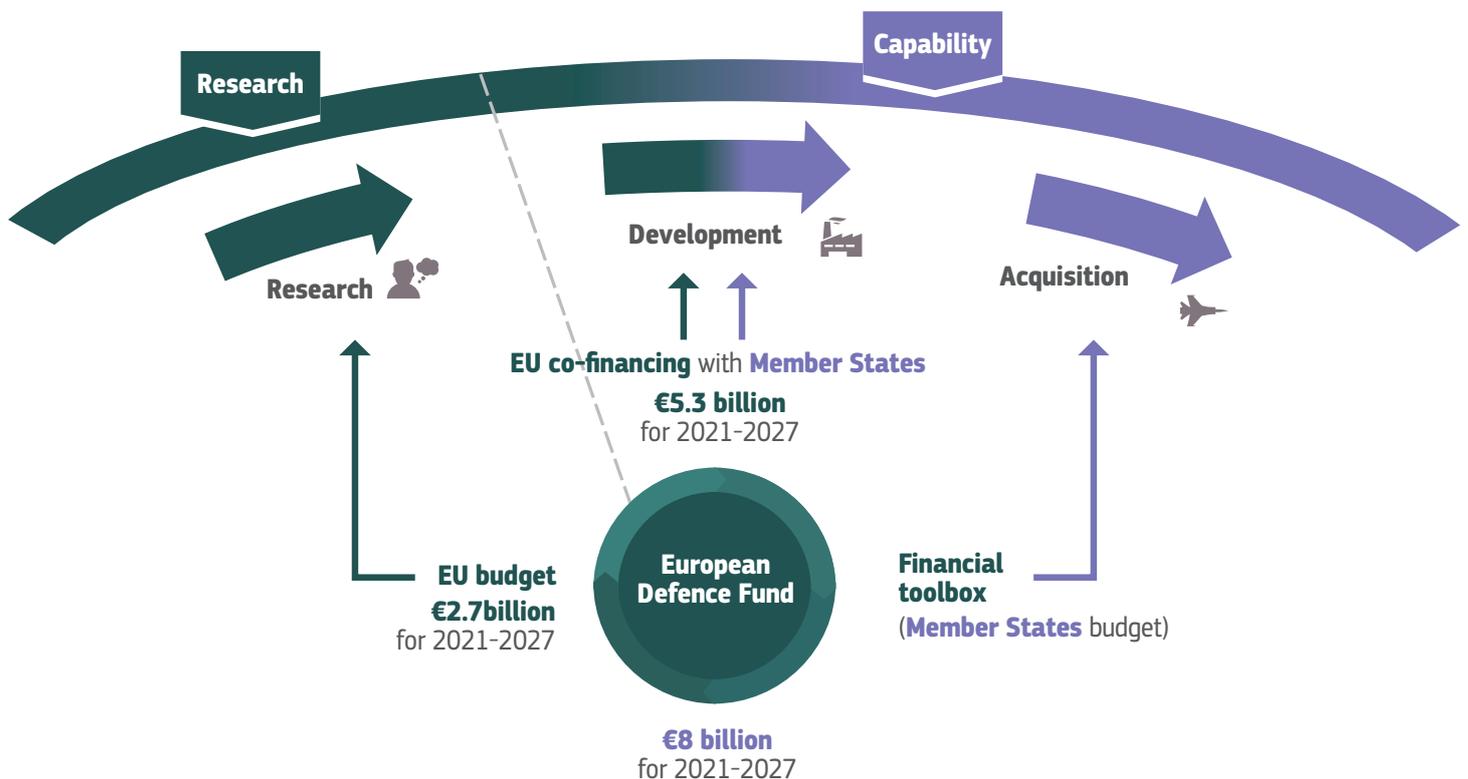


HOW WILL THE FUND WORK?

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 at least 3 different Member States or associated countries.
- **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 particularly in the context of the Capability Development Plan, and taking into account, where appropriate, priorities from 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.
- **4-8% of the budget will be set aside to support innovative disruptive technologies for defence** 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 intend to buying the final product**. No capability will be owned by the EU.
- If eligible, activities developed in the context of **Permanent Structured Cooperation (PESCO)** 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?

Two precursor programmes preceded the European Defence Fund, the **Preparatory Action on Defence Research (PADR)** and the **European Defence and Industrial Development Programme (EDIDP)**

With PADR €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. 18 defence research projects have been selected.

The Commission also launched the EDIDP with €500 million foreseen in 2019 and 2020. The 2019 EDIDP calls resulted in 16 projects that have been selected.



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 €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 €1.5 billion will be earmarked in the Connecting Europe Facility to enhance the EU's strategic transport infrastructures to make them fit for **military mobility**.
- The **Action Plan on synergies between civil, defence and space industries** complements the European Defence Fund with the aim to avoid unnecessary duplication, enhance complementarity and ensure cross-fertilisation between civil and defence.

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 https://ec.europa.eu/defence-industry-space/index_en

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