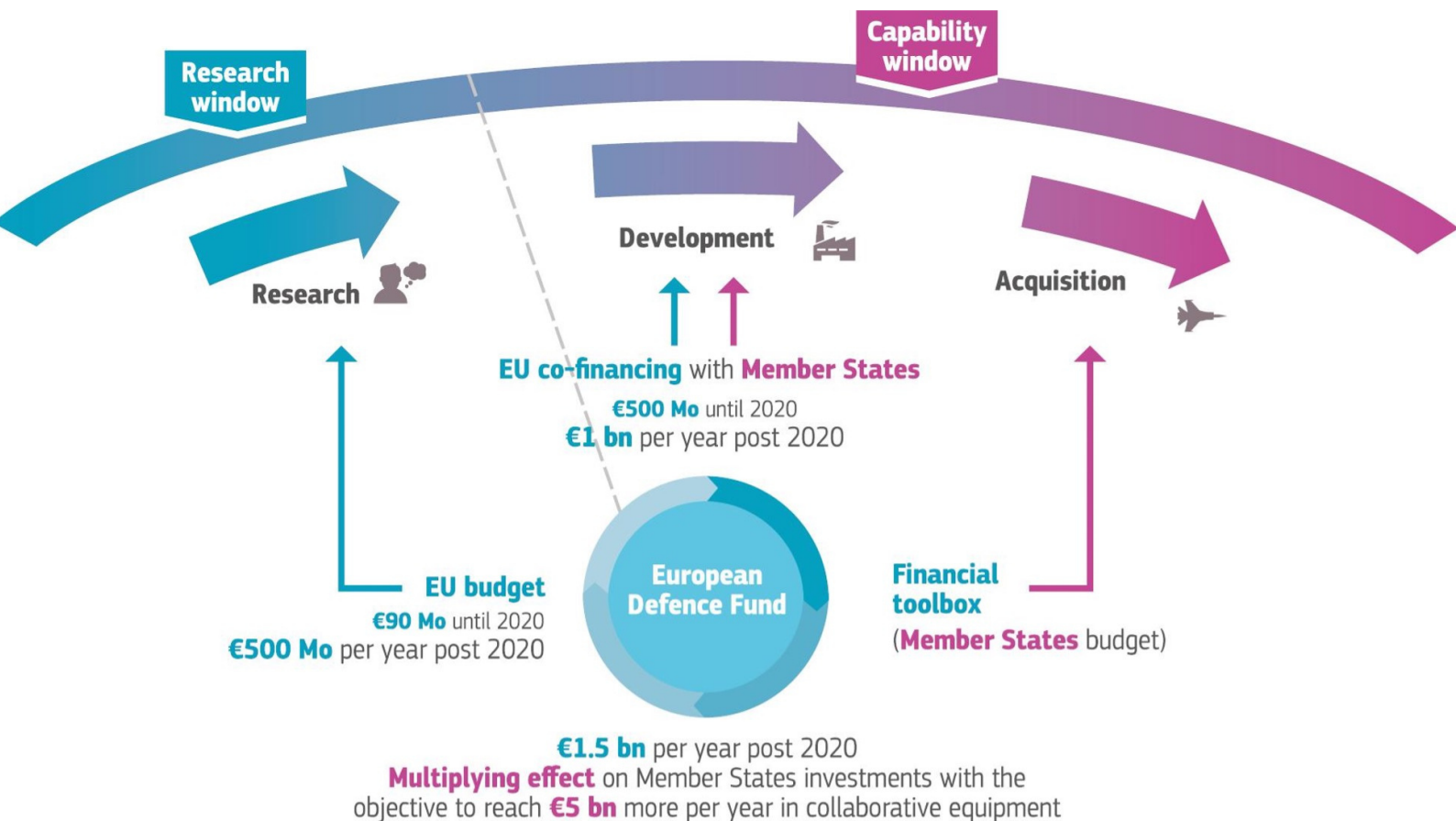


How can the European Defence Fund help the development of European Defence Capabilities?

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The geopolitical context of the European Union (EU) has changed significantly in recent years, leading Member States to face new threats. Confronted with this situation, European leaders have agreed to work more closely together in defence and security. EU Member States are not cooperating appropriately, which has led to inefficient use of funds, wasteful duplication, and inadequate deployability of defence troops. The military industry is characterised by rising defence equipment costs as well as expensive Research and Development (R&D) costs, which limit the launch of new military programmes and have a direct impact on the EU Defence Technological and Industrial Base's (EDTIB) competitiveness and innovation (EU Parliament and Council, 2021). The level of defence spending varies significantly amongst Member States.

Increased solidarity is required to deliver joint defence capabilities, particularly through the engagement of the EU budget. The cost of non-cooperation between Member States in the field of defence and security is estimated at between €25 billion and €100 billion every year (Maelcamp, I.; Ungaro, A.R.).

The European Commission, in September 2016, announced the creation of the European Defence Fund (EDF) to assist Member States in developing and acquiring important strategic defence capabilities more promptly, collaboratively, and cost-effectively.

The EDF is meant to boost the EDTIB's competitiveness and innovation, thereby boosting the EU's strategic autonomy while increasing cooperation at every step of the industrial cycle by providing the necessary initiatives to promote cooperative research and development. Therefore, the final result will be that of supporting and facilitating the expansion of cross-border cooperation of small and medium-sized enterprises (SMEs) and mid-caps involved in the military sector and increasing interoperability. Finally, the Fund is designed to ensure buy-in from Member States, the ultimate buyers of the technologies and services developed. Most notably, to be eligible, the Fund requires proof of co-funding in the development stage and proof that at least two Member States commit to acquire the final product or the technologies in the advanced stages of development.

It is the first time that EU funding is being used to support European defence cooperation between Member States and between enterprises, research institutions, national authorities, international organisations, and universities across the Union.

The European Defence Agency (EDA) and the EU Military Staff (EUMS) define the EDF's strategic priorities and work programme in close collaboration with Member States. Projects will be defined in line with defence capability priorities approved by Member States within the framework of the Common Security and Defence Policy (CSDP), particularly in the context of the Capability Development Plan (CDP), and take into consideration, when relevant, priorities from international organisations.

As preparatory steps, the EU Commission launched two limited budget and duration projects: the Preparatory Action on Defence Research (PADR) with a budget of €90 million for the 2017-2019 period, with the main objective of testing mechanisms that can prepare, organise and deliver EU-funded cooperative defence research activities to improve competitiveness and innovation and stimulate cooperation amongst Research and Technology; and the European Defence Industrial Development Programme (EDIDP) with a budget of €500 million for 2019-2020, for the joint development of defence equipment and technologies (Maelcamp, I.; Ungaro, A.R.).

After these two pilot programmes, in June 2018, the EU Commission proposed a €8 billion European Defence Fund for the next Multiannual Financial Framework (2021-2027), of which €2.7 billion will be spent on joint defence research, and €5.3 billion will be spent on collaborative capability development initiatives, in addition to national contributions (European Commission).

The EDF's funding will not eliminate the obstacles caused by the lack of synchronisation of EU Member States' budgetary procedures. Still, it will help mitigate them to some extent, particularly through the provision of pre-financing that can amount to a significant portion of the total value of the grant awarded to a project. Moreover, every year, the EDF will issue a call for proposals based on a work programme approved by the European Commission with the assent of a committee of EU Member State representatives. Specific needs for a certain type of technology or system must be planned in the work schedule for a specific year, allowing for EU financing. This should encourage EU Member States to cooperate to overcome potential divergences in defence planning as well as a lack of synchronisation in capabilities acquisition regulations and calendars, which have hitherto limited or prevented collaboration (Csernaton, R., 2020)

These projects demonstrate that the European Commission has mechanisms at its disposal that can help improve European defence. The EDF, when combined with other efforts such as the Permanent Structured Cooperation (PESCO) and the Coordinated Annual Review on Defence (CARD), and in concert with NATO, can result in a significant shift in European defence cooperation. The Council established PESCO in December 2017. It consists of a framework and procedure for deepening defence cooperation with the main goal of reaching a cohesive range of defence capabilities available to Member States for national and multinational missions and operations (EU, NATO, UN, and so on). This will strengthen the EU's capabilities as an international security agent, contribute to EU citizens' safety, and maximise the efficacy of defence spending. CARD's goal is to give Member States and the EU an overview of Europe's current defence capacity landscape and identify possible areas for collaboration.

When the EDF was first created, many people believed it was a turning point in European defence cooperation. This financial instrument represents a significant shift in the Commission's institutional role as a powerful defender. This supranational body has been more active in the domains of defence technology and industry in this regard, and it now intervenes more forcefully in a sector that was once the exclusive domain of Member States at the intergovernmental negotiation table. The inflated rhetoric surrounding recent EU defence initiatives and instruments was undoubtedly a consequence of a pervasive sense of urgency in Europe. Some policymakers saw the EDF, CARD, and PESCO as the ideal setup to guard against geopolitical uncertainty and consolidate the European security and defence architecture.

These measures have resulted in significant development.

However, notwithstanding the progress made since 2016, there is still a disparity between the EU's aspirations and its ability to achieve them. EU Member States lack a shared understanding of the EU's role in security and defence, as they disagree on what the strategic priorities include. Furthermore, given the differing viewpoints among EU Member States, the debate over a "European strategic autonomy" has added more fuel to the fire. The Member States have been unable to define in detail what competencies the EU should focus on due to a lack of a common vision and a shared strategic orientation. PESCO's effectiveness has been hampered as a result, and the EDF's effectiveness is also in jeopardy.

In these circumstances, it might be too early to fully harmonise these initiatives and reap their coordinated benefits, mainly because their timescales are not synchronised. Those projects, in fact, primarily represent Member States' efforts to prove their political commitment to the EU. The Union has yet to establish a consistent sequence for CARD and PESCO projects that the EDF could fund.

Without a doubt, the European Defence Agency also plays a crucial role. All EDA efforts revolve around encouraging and promoting cooperative defence capability development among its Member States. The Agency facilitates EU defence cooperation by providing a venue for Member States to join forces to develop new defence equipment. Land, air, sea, cyber, and space capability domains are all covered.

In the land domain, EDA's activities are focused on assisting Member States in moving towards a more coherent European capability landscape by collaboratively upgrading, modernising, and replacing military fleets and mission components, such as armoured or ground forces, fighting vehicles, and main battle tanks. The goal is to assist in constructing contemporary, homogeneous fleets, which will promote the establishment of solid, long-term logistic supply chains and thus more efficient life-cycle support. The EDA works to meet both short- and long-term operational needs and plan for expected changes. Capability development is a long-term effort.

Capabilities must be suitable for a variety of scenarios, some of which may not be anticipated when the capability is developed. Capabilities developed during peacetime for reasonably low use may be required to be deployed in full-scale warfare. What is evident is that troops must be able to respond to a wide range of potential scenarios. In the coming decades, adversary threats are also likely to increase dramatically. Chemical, biological, radiological, and nuclear materials must all be considered in the event of an attack. Economic, legal, and diplomatic attacks and attempts to manipulate and corrupt media and political systems will increase. Because future settings will be more complicated, capacities will need to be more flexible, agile, and adaptable (EDA).

In this historical period, a strong and transparent partnership is critical. The Covid-19 crisis has emphasised the importance of strong coordination between the EU and its partners, particularly NATO, to efficiently respond to common challenges. NATO is still the backbone of collective defence. As a result, it is critical that the EU remain committed to improving the European pillar within NATO and also to advance security and defence collaboration with other partner organisations, particularly the United Nations and partner countries (Ministry of Defence, 2020).

Next year will be of crucial relevance in this sector, as all of the most recent defence measures are on the table for the first time. In March 2022, another major initiative will be released: the Strategic Compass. This should give a strategic orientation in various areas for the next ten years, including capability development, resilience, and partner cooperation. So now it's up to the Member States to start making better use of these tools and cooperate more. If the synergy from the launch of the European Defence Fund and the input from PESCO are correct, this should generate a domino effect with more Member States and their industry joining and supporting this wave of interaction (Defence News, 2021).

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