



OPPORTUNITIES FOR DEVELOPMENT OF EU PROFILE IN THE FIELD OF DEFENCE CAPABILITIES. EUROPEAN DEFENCE FUND

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This article brings to attention one of the main developments recorded in the context of European defence cooperation, namely the establishment of the European Defence Fund (EDF). Conceived as an initiative aimed at contributing to the financial support of cooperation projects in the fields of capability development and defence research, the EDF represents an innovation that began to operate starting with 2021, offering additional perspectives for strengthening the Common Security and Defence Policy. Although it is a new initiative, the European Defence Fund was preceded by preparatory measures in which the necessary procedural framework and mechanisms were defined. From this perspective, the analysis developed in this article deepens the thesis regarding the positive impact of EDF for the sustainability of European cooperation in the field of defence. The strategic value of the new tool for integrating capability development and research aspects is another direction explored in the article. Last but not least, the economic role of EDF benefits of special attention in this study, from the perspective of the way in which various entities from the EU territory perceived EDF, being reflected mainly in the increase of their participation in the drafting projects and participating in competition.

Keywords: CSDP; EUGS; EDF; PADR; EU; EDA; EDIDP; disruptive technologies; defence capabilities; NATO.

Introduction

The decision to create the European Defence Fund is placed in the context of the efforts initiated by the European Commission to support the objectives assumed by the member states through the Global Security Strategy of the European Union (EUGS). Adopted in June 2016, at the level of the European Council, EUGS represented a turning point in the evolution of European cooperation in the field of security and defence which will thus acquire a much better-defined profile in the overall EU policies. The perspective advanced through the EUGS focused on how the interaction between member states on defence aspects can strengthen the role of the EU as a global actor in the international security context.

In this sense, the capabilities development was one of the main topics addressed by the Strategy, with an emphasis on the development of a full spectrum of capabilities according to the objectives and the level of ambition assumed by the EU (response to crises, strengthening the capacities

of the partners, protection of the Union and its citizens). The priority was placed on optimizing the cooperation between member states in order to overcome the identified shortfalls under the auspices of the European Security and Defence Policy (ESDP) and, since 2016, in the context of the Common Security and Defence Policy (CSDP), the latter created by the Treaty of Lisbon.

Context of European defence cooperation

Within this framework, the main stages in defining the capability priorities were closely linked to political decisions related to objectives of European cooperation in the field of security and defence. Thus, during European Council in Helsinki (December 10-11, 1999), the first Headline Goal of the EU (HLG2003) was adopted. It aimed to create, by 2003, a Rapid Reaction Force, deployable within 60 days, with a force structure of 50-60,000 people and having the potential to be sustained in the theater for up to a year. In this context, a review process was initiated through annual Commitment Conferences in which the member states made contributions against Headline Goal. Following the first conference, held in November 2000, a series of capability shortfalls were identified in areas such as: strategic air transport; logistics; force

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survivability, including evacuation capabilities; communications, command, control, computers and information; infrastructure; surveillance and reconnaissance (European Parliament 2006, 10). The review of shortfalls was approached mainly through a new initiative, which was launched in the aftermath of Laeken European Council, in December 2001. Known as the European Capabilities Action Plan, it represented the first defence planning instrument developed in EU context (European Commission 2001).

Since 2003, the consolidation of member states contributions and the launch of first EU military operations (Bosnia Herzegovina and North Macedonia) had determined the revision priorities within fifteen areas of major interest. Afterwards, the planning activities developed under ECAP were taken over by the European Defence Agency (EDA) which was created in July 2004 (Joint Action 2004/551/CFSP). Almost at the same time, the General Affairs and External Relations Council of 17 May 2004 launched the Headline Goal 2010, which was focused on the improvement of rapid reaction capabilities, especially through the creation of Battle Groups structures. The European Council in 17-18 June 2004 endorsed a new objective (European Council 2004). The new requirements and implications generated by the Battle Groups focused on capabilities, especially in terms of interoperability enhancement, speed of deployment, and sustainability. The main parameters forwarded by EU BG Concept were the generic structure of 1.500 troops, able to operate between 30 and 120 days in the theatre and having the capacity to deploy in 5 to 10 days after EU Council's decision to launch an operation with recourse to Battle Groups (EU Council 2016).

In this context, the defence planning process will be correlated with the Headline Goals. In 8 July 2008, EDA adopted the very first Capabilities Development Plan (CDP) in which the Headline Goals requirements were approached in connection with the security environment evolutions and technological and industrial developments in the field of defence. From this perspective, CDP became the main guidance for the defence capabilities development in European context. Moreover, CDP was a planning instrument meant to provide the baseline for member states, the priorities forwarded by this instrument being regularly assessed

(at 4 years). The first CDP advanced 12 actions/priorities focused on the development of defence capabilities such as: counter man portable air defence systems; computer network operations; mine counter-measures in littoral sea areas; comprehensive approach – military implications; military human intelligence and cultural/language training; intelligence, surveillance, target acquisition and reconnaissance architecture; medical support; CBRN; logistic; C-IED; increased availability of helicopters; network enabled capability (European Defence Agency 2008).

A distinct line of action focused on the need for technological and industrial potential development at national level in order to support the capabilities development, while maintaining a conceptual paradigm centred on deepening the cooperation between member states. The advantages of this approach were reflected in extended areas including operational effectiveness, enhanced interoperability, efficiency and mutual trust (European Union 2016, 20). The basic requirement was the investment consolidation and proper use of the available resources for defence. This topic was associated with EU credibility as relevant actor in the international context. The investment in defence capabilities was approached from the perspective of identifying common priorities for member states in order to sustain the EU external commitments. It involves land, air, maritime as well a space and enablers domains. The criteria used by EUGS to describe the European cooperation status were based on the targets agreed in EDA context, namely: equipment procurement (incl. R&D/R&T): 20% of defence spending; European collaborative equipment procurement: 35% of equipment procurement expenditure; defence R&T: 2% of defence spending; European collaborative defence R&T: 20% of defence R&T expenditure (European Council 2017).

The way in which these targets were met was insufficient, according to the EU Global Strategy. The solutions envisaged were focused on two pillars regarding the consolidation of complementarity and practical synergy between national defence policies in particular on „gradual synchronization, mutual adaptation of national defence planning cycles”. At the same time, the importance of EU funds was underlined for stimulating the research

and technologies under Framework Programs that were created in the 80s. Those programs can provide opportunities for financing the research initiatives applicable in the field of security and dual-use technologies. Nevertheless, FPs could not be used for research in the field of defence. At the time of the EUGS adoption it was running the FP8 (2013-2020), known also under the name "Horizon Europe" with an operational budget of 74.8 billion Euros (European Parliament 2017, 22).

Given the complex nature of the capabilities' development process and the rather modest achievements in research on security and defence, the President of European Commission, Jean-Claude Juncker forwarded, in the State of the Union Speech in 14 September 2016, a more ambitious vision on EUGS implementation. The premise of his undertaking was focused on the EU credibility in military field, while underlining the financial and economic major impact of European cooperation in this domain. In his view, this would be beneficial for accelerating the development of key capabilities in European context (Juncker 2016). In this sense, he announced the establishment of a European Defence Fund meant to stimulate this sector and meant to ensure a better correlation between industrial sector and technological advance, with a special view on innovation capacity.

From vision to practice

In the context created by EUGS, the undertakings focused on consolidation of European cooperation intensified mainly in the second half of 2016. Implementation of the new vision of EU role would be sped-up by adopting a dedicated defence initiatives package with specific relevance, which included three components. The first one was related to the EUGS Implementation Plan (adopted by the EU Council in 14 November 2016) which translate in actionable items the strategic orientations of EUGS. This undertaking should be seen in the larger context of division of labour in the development of the EU security and defence profile, especially on the pol-mil aspects of Level of Ambition assumed by EUGS (European Council 2016b). The second component was the implementation of EU-NATO Declaration, signed on 8 July 2016, in Warsaw. The main feature was represented by the new level of interaction between these organisations through the adoption of a new

practical cooperation platform¹.

The third component was by far a novelty for the last decades of cooperation in the field of European security and defence cooperation. For the first time, the European Commission got involved in some key aspects of this domain. Thus, Commission's contribution reflected in the European Defence Action Plan (EDAP). This initiative was three-fold, consisting of: creation of European Defence Fund; development of investments for the entire defence supply chain; consolidation of single market in the field of defence. Obviously, this undertaking followed the EUGS patterns and underlined by the President of European Commission two months before. From this perspective, the creation of European Defence Fund provided an answer to the question of how EU profile in the field of security and defence will be sustain financially. On this line, the Commission proposal structured EDF on two components (windows) – capabilities and research, both financed through EU budget. Taking into account the specific character of EU multiannual budget, the EDF was scheduled to enter into force from 1st January 2021 and it will be financed for the entire period of EU Financial Framework 2021-2027.

The main objective of "capability window" was to finance the cooperation projects with the participation of member states in the field of capabilities development. This approach was an answer not only to the relatively insufficient level of coordination between member states in this area, but also to the difficulties to identify additional resources at national level. From this perspective, EDF could be seen as a complementary tool for supporting the member states' efforts in the field of capabilities development. The budget proposed by the European Commission was 5 billion Euros/year for the capability window. This ceiling was considered to allow the fulfilment of EDA target regarding 35% for collaborative projects developed in the European context (European Commission 2016, 9). As regards the "research window", the Commission proposal was focused on creating another opportunity to finance the collaborative projects in the field of

¹ Through EU-NATO Declaration, a set of cooperation areas was forwarded such as: resilience, hybrid, cyber security, capabilities, defence industry, exercises. Two years later, this inventory will be consolidated by the second Declaration signed on 10 July 2018, in Warsaw.



research, technologies and innovation, which could complement the undertakings developed so far. Definitely, it was not the case for replacing those programs, EDF being designed to stimulate the defence research, which was not approached in the European context. The budget proposed by European Commission for the "research window" was 500 mil. Euro/year starting from 2021.

On 15th December 2016, the European Council endorsed the Commission's proposal regarding the establishment of European Defence Fund asking to identify the possibilities to involve the European Investment Bank in supporting the research and development in the field of defence. At the same time, the European Commission was tasked to initiate the preparation measures to create the necessary framework for EDF entry into force as it had been scheduled. (European Council 2016a, 4). It is worth mentioning here that EDF launch was an absolute novelty both from the perspective of its own functionality and from the perspective of the use of financial support through EU budget. These were the reasons that determined the idea to take advantage of the period 2017-2020 for preparing the proper conditions for getting a fully operational EDF.

The main steps in this direction took shape in the establishment of ad-hoc instruments meant to test the feasibility of procedural framework for drafting the collaborative project and the parameters of the review process for projects competition and, subsequently, the process of awarding the grants. The European Commission performed the first undertakings in the field of research area by launching the Preparatory Action on Defence Research/PADR (2017-2020) with 90 mil. Euro budget. During this period, under PADR there were launched 10-project calls in various areas such as disruptive technologies, electromagnetic spectre dominance; autonomous systems; force projection etc. In this context, 18 cooperation projects were financed while more than 200 entities from member states (private-owned companies, education-research, and public sector) participated. Typology used for generating the projects was centred on deepening the cooperation under consortia like model with the participation of entities from member states. In this framework, the minim requirements were that consortia must include at least three entities, from

the three member states. The main responsibilities for drafting the PADR working programme was retained by the Commission, which could delegate the implementation responsibilities to other EU structures. This procedure would be used in relation with European Defence Agency, which would take the main responsibility for PADR implementation, based on an Agreement with EU Commission (31 May 2017).

The PADR experience would be continued at a higher level in the framework of the new mechanism established in 2018, known as European Defence Industrial Development Program, which would integrate research and development components. It was designed to function for the next two years with a budget of 500 mil. Euro. At large, the procedural typology developed under PADR would be maintained, especially on finance, drafting the projects and forwarding for competition.

As regards the areas approached, EDIDP ensured the required continuity with PADR, mainly on the projects that required more than two years for completion. At the same time, the areas of competence were structured in the spirit of multidisciplinary approach, being also better connected with the CDP priorities and EUGS level of ambition. Thus, an expanded set of areas was taken into account such as remotely piloted systems, satellite communications, positioning, navigation and timing, autonomous access to space and permanent earth observation, energy sustainability, and cyber and maritime security, as well as high-end military capabilities in the air, land, maritime and joint domains, including enhanced situational awareness, protection, mobility, logistics and medical support and strategic enablers (EUR-Lex 2018, 1). The outcome of the two EDIDP years of operation consists in financing 44 projects involving more than 700 entities from EU. It is also worth mentioning that 15 projects (out of 44) were in line with the commitments made by member states under Permanent Structured Cooperation, which was activated² at the end of 2017, based on

² In 13 November 2017, 25 member states signed a Notification for High Representative for Foreign Affairs and Security Policy in which they informed about the decision to activate the provisions of EU Treaty regarding the Permanent Structured Cooperation (PESCO). Consequently, in 11 December 2017, EU Council adopted the Decision to launch PESCO. This initiative developed in two phases

EU Treaty (Art.28A, E). In accordance with the agreed parameters for EDIDP, the PESCO projects were eligible for a higher rate of financing.

Principles and governance

The EDIDP contribution to paving the way for EDF was extremely important. In fact, EDIDP served as an antechamber in which the entire set of procedures and governance model were tested in order to facilitate the interaction not only between member states, but also between EU structures and relevant implementing actors. At the same time, the EDIDP relevance is visible in the consolidation of cooperation between EU member states in terms of defence. The genuine interests of entities to participate in the competition for EU grants validated the importance of projects in EDF context. Practically, the attraction of those projects was the main factor, which generated a sharp increase in the number of participating entities.

Taking into account these aspects, the main objective of EDF was to contribute to consolidating the capacity for innovation, efficiency and technological competitiveness of European defence industry. In this sense, the pursued priorities meant to reduce the European fragmentation in the field of defence simultaneously with the increasing of output investments in defence for the economic and industrial areas. Special attention was dedicated to the SME involvement in this kind of cooperation as well as to the development of a functional partnership with European defence industry and with other international actors. For those aspects, EDF was intended to act as a stimulus. Extremely relevant in this equation was the added value of EDF in relation with the normative framework of EU in the field of defence. This included both the Directives³ for internal market as well as the initiatives developed almost in the same period under CSDP.

From this perspective, the EDF role could be seen as being a niche one, focused on creating financial opportunities to support the implementation of EU priorities in research and capability developments through collaborative

(2018-2021 and 2021-2025) reaching 60 cooperation projects that were developed under PESCO aegis.

³ Practically, there were Directive 2009/43/EC simplifying terms and conditions of transfers of defence-related products within the Community and the Directive 2009/81/EC.

approaches between member states. Nevertheless, it must be noted that the level of ambition on the financial margin was severely downgraded. Actually, the EDF budget was decreased significantly comparing with the initial proposals made by the Commission. This situation was generated by the overall context of negotiations regarding Financial Framework 2021-2027 and the need to accommodate the implication of the United Kingdom decision of to leave EU. Consequently, the financial envelope agreed for EDF running between 2021-2027 was almost 8 billion out of which 5.3 million for development and 2.7 million for research (European Commission 2020, 2). Nevertheless, we should underline that for the first time in EU history its budget included distinct allocation for defence consisting on two components – EDF and Military Mobility⁴. In this context, EDF is an instrument dedicated to sustaining financially the member states' efforts thus ensuring co-financing, in different ratios, the actions undertaken in collaborative framework (EUR-Lex 2021, 169-170). At the same time, EDF added value could be seen from the perspective of stimulating innovative character in defence context. Thus, the parameters agreed for EDF included the requirements to allocate between 4% and 8% from the total budget for disruptive and emergent technologies projects (EUR-Lex 2021, 162).

The EDF functional parameters were almost similar to those used in PADR and EDIDP. Thus, the main responsibility for EDF management lies with the European Commission, while the current activities are coordinated through a Program Committee consisting of member states representative and EU structures (European Defence Agency 2007). This committee is responsible for drafting the Annual Working Program, including the main areas for EDF activity in the respective year and for which projects will be delivered. The sources of inspiration for setting up the Annual Program are the priorities agreed in CSDP context as it is the case for CDP, CARD, PESCO as well as other projects and programs coordinated by European Commission in the field of security. The areas agreed through the Annual Program have, in fact, multiannual relevance being implemented in an extended period allowing, thus,

⁴ Military Mobility budget was 1.7 billion for 2021-2027.



a better planning of national resources. From this perspective, the Annual Program includes domains like medical (including CBRN and response capacity), informational superiority, cyber security, space, digital transformation, energy resilience – environment transition, materials, air and ballistic defence, land capabilities, force protection and mobility, maritime capabilities, underwater combat, simulation and training, disruptive technologies, innovative defence technologies (European Commission 2022a, 4).

In this context, the Annual Program provides the general framework for EDF activities. Every area/category is detailed in subjects/topics and, subsequently, in actions. Within this process, the European Commission is responsible for launching calls for projects taking into account the subjects' inventory. The eligibility criteria agreed in EDF context were that consortia consisting no less than three entities from at least three member states must deliver projects. In case of disruptive technologies, consortia membership could be limited at two entities from two member states (EUR-Lex 2021, 165). The review process for the proposed projects is made by European Commission based on several criteria agreed by member states for EDF and corresponding with the objectives of this instrument (EUR-Lex 2021, 166).

Under these auspices, European Commission launched, on 30 June 2021, 23 calls for projects against the above-mentioned areas involving more than 40 subjects. The interest of the entities from EU Member States was maintained on the upward trend similar to the one of the previous EDIDP cycles. Thus, there were forwarded more than 140 projects proposals out of which 61 were selected for co-financing on both windows. The EDF increased attractiveness was reflected, also, in the large number of entities involved in projects competition (almost 700) coming from various areas like companies, SMEs, universities, research laboratories. These were coming from 26 member states, participating in various types of consortia established within the scope of supporting collaborative initiatives under EDF. The budget for EDF first year was 1.2 billion (845 million for capability developments and 322 million for research). The objective regarding the development of EU economic profile in the field of defence was reflected in raising at 43% SMEs participation in projects awarded. At the same time,

the financial absorption level by SMEs in EDF 2021 was 18%. At the same time, in terms of stimulating innovative character, almost 20% of the funds were allocated to the projects for disruptive technologies, innovative materials and digital transformation. Moreover, the significance of the first year should be seen in the context of interaction between EDF and the other initiatives developed under CSDP. It is notable the connection between EDF and PESCO in which 20% of projects being developed in the context of Permanent Structured Cooperation (European Commission 2022b). For the second year, on 25 May 2022, the European Commission adopted the respective Annual Program having a budget of 926 mill. In the spirit of continuity with the undertakings developed under EDF 202, the project calls were launched in June 2022 being structured on the same categories. The deadline for submission of projects by the consortia established with entities from EU is November 2022.

Conclusions

Obviously, the establishment of the European Defence Fund was one of the major evolutions in developing EU's defence profile. At the same time, the creation of this new instrument corresponds to a new phase in the overall dynamic process of consolidating European shape in defence development and research. From this perspective, EDF's role has to be underlined as an integrated platform of two dimensions which ensure a better connectivity of European cooperation with technological and innovation developments in the field of defence.

At the same time, EDF was coming in a specific context, created by political decision associated with the Headline Goals 2003 and 2010, answering, also, to the EU Global Strategy new level of ambition. In this context, EDF is representing one of the answers constantly searched for in the last two decades for consolidating the baseline of European defence cooperation. Besides being a novelty from the perspective of using EU budget for co-financing the cooperation programs, EDF is an integral part of the ascending approach, which started with the Framework Programs coordinated by European Commission. Equally, EDF is providing additional opportunities for consolidating the collaborative approach in the field of defence. The matrix advanced though

annual cooperation programs was welcomed by the economic and industrial sectors. This approach was reflected through the consistent number of participating entities in projects competition. From

this perspective, there is no doubt that EDF has the potential to be a catalyst for intra-European cooperation, its credibility being sustained through financial support for practical projects.

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