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Basic information			
COD - Ordinary legislative procedure (ex-codecision procedure) Regulation		Awaiting Parliament 2nd reading 19/03/2019: MFF 2021-2027/ Progress report - state of play in the Council	
European Defence Fund 2021-2027 Repealing [regulation on European defence industrial development programme] 2017/0125(COD) Subject 3.30.07 Cybersecurity, cyberspace policy 3.40.09 Defence and arms industry 3.50.01.05 Research specific areas 6.10.02 Common security and defence policy (CSDP); WEU, NATO Legislative priorities Multiannual Financial Framework 2021-2027			
Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Industry, Research and Energy	 KRASNODEBSKI Zdzisław	25/06/2018
		Shadow rapporteur	
		 BELLAMY François-Xavier	
		 TOIA Patrizia	
		 RIQUET Dominique	
		 TOVAGLIERI Isabella	
		 BLOSS Michael	
		 BOTENGA Marc	
	Former committee responsible		
	 Industry, Research and Energy (Associated committee)	 KRASNODEBSKI Zdzisław	25/06/2018
	Former committee for opinion		
	 Foreign Affairs (Associated committee)	 MCALLISTER David	27/08/2018
	 Budgets		11/07/2018

Council of the European Union
European Commission

Commission DG

Commissioner

[Internal Market, Industry, Entrepreneurship and SMEs](#) BIENKOWSKA Elzbieta

European Economic and
Social Committee

Key events

13/06/2018	Legislative proposal published	COM(2018)0476	Summary
02/07/2018	Committee referral announced in Parliament, 1st reading		
05/07/2018	Referral to associated committees announced in Parliament		
21/11/2018	Vote in committee, 1st reading		
28/11/2018	Committee report tabled for plenary, 1st reading	A8-0412/2018	Summary
11/12/2018	Debate in Parliament		
12/12/2018	Results of vote in Parliament		
12/12/2018	Decision by Parliament, 1st reading	T8-0516/2018	Summary
12/12/2018	Matter referred back to the committee responsible		
17/04/2019	Debate in Parliament		
18/04/2019	Decision by Parliament, 1st reading	T8-0430/2019	Summary
04/06/2020	Committee decision to open interinstitutional negotiations after 1st reading in Parliament		
17/06/2020	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 72)		
14/01/2021	Approval in committee of the text agreed at early 2nd reading interinstitutional negotiations	PE662.115 PE662.116	
19/03/2021	Council position published	06748/1/2020	Summary
25/03/2021	Committee referral announced in Parliament, 2nd reading		

Forecasts

26/04/2021	Debate in plenary scheduled
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Technical information

Procedure reference	2018/0254(COD)
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Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	Repealing [regulation on European defence industrial development programme] 2017/0125(COD)
Legal basis	Treaty on the Functioning of the EU TFEU 188-p2; Treaty on the Functioning of the EU TFEU 173-p3; Treaty on the Functioning of the EU TFEU 182-p4; Treaty on the Functioning of the EU TFEU 183; Rules of Procedure EP 59-p4
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Awaiting Parliament 2nd reading
Committee dossier	ITRE/9/03007

Documentation gateway

Legislative proposal		COM(2018)0476	13/06/2018	EC	Summary
Document attached to the procedure		SWD(2018)0345	13/06/2018	EC	
Committee draft report		PE625.510	18/07/2018	EP	
Amendments tabled in committee		PE627.775	14/09/2018	EP	
Committee opinion	BUDG	PE626.964	06/11/2018	EP	
Committee opinion	IMCO	PE627.566	06/11/2018	EP	
Committee opinion	AFET	PE627.021	14/11/2018	EP	
Committee report tabled for plenary, 1st reading/single reading		A8-0412/2018	28/11/2018	EP	Summary
Text adopted by Parliament, partial vote at 1st reading/single reading		T8-0516/2018	12/12/2018	EP	Summary
Economic and Social Committee: opinion, report		CES3920/2018	12/12/2018	ESC	
Text adopted by Parliament, 1st reading/single reading		T8-0430/2019	18/04/2019	EP	Summary
Commission response to text adopted in plenary		SP(2019)440	08/08/2019	EC	
Committee draft report		PE689.666	18/03/2021	EP	
Commission communication on Council's position		COM(2021)0143	19/03/2021	EC	
Council position		06748/1/2020	19/03/2021	CSL	Summary
Draft final act		00011/2021/LEX	28/04/2021	CSL	

Additional information

Research document	Briefing
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European Defence Fund 2021?2027

PURPOSE: to establish the European defence fund for the period 2021-2027.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: in an environment marked by the emergence of new threats, such as hybrid and cyber-attacks, and the return of more conventional dangers, EU citizens and their political leaders agree that the EU should collectively take more responsibility for its security. The defence sector is largely fragmented across national borders, with considerable duplication, resulting in inefficiencies that prevent economies of scale. At the same time, the cost of defence equipment and in particular R&D costs have increased, while cooperation between Member States on investment in R&D and defence equipment has remained limited. In 2015, only 16% of defence equipment was procured through European collaborative procurement.

In June 2017, the Commission adopted a [communication](#) launching the European Defence Fund consisting of 'windows' for research and for capability. The communication was accompanied by a [legislative proposal for a Regulation](#) establishing the European defence industrial development programme under the capability window.

A two-step approach was proposed, involving:

- an initial test period under the 2014-2020 multi-annual financial framework during which a preparatory action on defence research supports collaborative defence research, while the proposed European defence industrial development programme shall co-finance collaborative development projects; and
- a dedicated fund under the 2021-2027 multi-annual financial framework scaling up the funding for collaborative research in innovative defence products and technologies and for subsequent stages of the development cycle, including the development of prototypes.

CONTENT: the proposal for a Regulation - presented for a Union of 27 Member States - concerns the establishment of the European defence fund under the multiannual financial framework for the period 2021-2027 with a view to fostering the competitiveness and innovation capacity of the European defence industry and technological base and thus contributing to the strategic autonomy of the Union.

The new fund shall promote cooperation between Member States and contribute to cost savings in the production of interoperable and advanced defence technologies and equipment. Its objective shall be:

- support collaborative research projects that could significantly boost the performance of future capabilities, aiming at maximising innovation and introducing new defence products and technologies, including disruptive ones;
- support collaborative development projects of defence products and technologies consistent with defence capability priorities commonly agreed by Member States within the framework of the Common Foreign and Security Policy. It shall contribute to greater efficiency of defence spending within the Union, achieving greater economies of scale, reducing the risk of unnecessary duplication and as such reducing the fragmentation of defence products and technologies throughout the Union.

Eligible actions: the proposed Regulation shall enable the Commission to set up a financing programme, implemented mainly through grants awarded following annual calls for proposals. Cross-border participation of SMEs and mid-cap companies shall be encouraged by offering higher financing rates.

To be eligible, actions shall, in principle, be carried out in cooperation between at least three legal entities based in at least three different Member States and/or associated countries. Furthermore, the EU shall only co-finance the development of common prototypes if Member States commit themselves to buying the final product.

Once assessed as eligible, a 'PESCO bonus', in the form of a higher funding rate, shall be granted to eligible permanent structured cooperation in defence projects.

The fund shall also take into account defence activities implemented through the European peace facility, an off-budget instrument proposed outside the multi-annual financial framework.

Proposed budget: the Fund shall have an overall budget of EUR 13 billion (at current prices) for the period 2021-2027, of which:

- EUR 4.1 billion for collaborative research actions on new and future security threats;
- EUR 8.9 billion for collaborative capacity development projects, in addition to national contributions.

Up to 5% of the financial envelope shall be devoted to support disruptive technologies for defence.

European Defence Fund 2021-2027

The Committee on Industry, Research and Energy adopted the report by Zdzisław KRASNODŹBSKI (ECR, PL) on the proposal for a regulation of the European Parliament and of the Council establishing the European Defence Fund.

The Committee on Foreign Affairs, exercising its prerogative as an associated committee in accordance with [Article 54 of the Rules of Procedure](#), also gave its opinion on the report.

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission's proposal as follows.

Subject matter: the proposed Regulation seeks to establish the European Defence Fund. It lays down the objectives of the Fund, the budget for the period 2021-2027, the forms of Union funding and the rules for providing such funding.

Objectives: the general objective of the Fund is to foster the competitiveness, efficiency and innovation capacity of the European defence industry, by supporting collaborative actions and cross-border cooperation between legal entities throughout the Union, including SMEs and mid-caps as well as strengthening and improving the agility of both defence supply and value chains, widening cross-border cooperation between legal entities and fostering the better exploitation of the industrial potential of innovation, research and technological development, at each stage of the life cycle of defence products and technologies.

The Fund shall contribute to the freedom of action of the Union and its strategic autonomy, in particular in technological and industrial terms.

It shall take into account the Action Plan on Military Mobility as part of the next Connecting Europe Facility, European Peace Facility to support, and, inter alia, Common Foreign and Security Policy CFSP/CSDP Missions and efforts to counter Hybrid Threats, that together with the Capability Development Plan (CDP), the coordinated annual review on defence (CARD) and Permanent Structured Cooperation (PESCO) help to coordinate capability planning, development, procurement and operations.

The Fund shall have the following specific objectives:

- support highly efficient collaborative research projects that could significantly boost the performance of European future capabilities, aiming at maximising innovation and introducing new defence products and technologies, including disruptive ones;
- support collaborative European development projects of defence products and technologies consistent with defence capability priorities commonly agreed by Member States within the framework of the Common Foreign and Security Policy.

Budget: the proposed financial envelope for the implementation of the European Defence Fund for the period 2021-2027 shall be EUR 11.5 billion in 2018 prices. The distribution of the amount shall be:

- EUR 3.6 billion for research actions;
- EUR 7.8 billion for development actions.

In order to respond to unforeseen situations or to new developments and needs, the Commission may, within the annual budgetary procedure, deviate from the amounts by a maximum of 10 %.

Members called on the Commission to ensure that administrative procedures are kept as simple as possible and incur a minimum amount of additional expenses.

Work programmes: Members called for the Commission to ensure the coherence of the work programmes throughout the life-cycle management of defence products and technologies.

European Defence Fund 2021-2027

The European Parliament adopted by 337 votes to 178, with 109 abstentions, amendments to the proposal for a regulation of the European Parliament and of the Council establishing the European Defence Fund.

The issue was referred back to the committee for interinstitutional negotiations.

The main amendments adopted in plenary concern the following points:

Objective

The proposed Regulation aims to create the European Defence Fund for the period 2021-2027, the objective of which would be to promote the competitiveness, efficiency and innovation capacity of the European defence industry. The Fund shall contribute to the freedom of action of the Union and its strategic autonomy, in particular in technological and industrial terms.

In its [resolution](#) of 14 March 2018 on the next multiannual financial framework, the European Parliament reiterated its support for the creation of a European Defence Union, with a specific research programme in the area of defence of the Union and an industrial development programme in which Member States invest.

The Fund shall have the following specific objectives:

- 1) support highly efficient collaborative research projects that could significantly boost the performance of European future capabilities, aiming at maximising innovation and introducing new defence products and technologies, including disruptive ones;
- 2) support collaborative European development projects of defence products and technologies consistent with defence capability priorities commonly agreed by Member States within the framework of the Common Foreign and Security Policy.

The Funds shall also: (i) achieve greater economies of scale; (ii) reducing the risk of duplication; (iii) reducing the over-dependence on imports from third countries thus increasing the acquisition of European equipment by Member States; (iv) increase the standardisation of defence systems and the interoperability between Member States' capabilities.

Budget

Parliament proposed that the financial envelope for the implementation of the European Defence Fund for the period 2021-2027 should be set at EUR 11.5 billion at 2018 prices, according to the following indicative breakdown:

- EUR 3.6 billion to directly finance competitive and collaborative research projects, including grants;
- EUR 7.8 billion for prototype development and related certification and testing requirements.

In order to deal with unforeseen situations or new developments and needs, the Commission may, in the context of the annual budgetary procedure, depart from the amounts by a maximum of 10 %.

Members asked the Commission to ensure that administrative procedures are as simple as possible and incur a minimum of additional expenditure.

Work programmes

Members asked the Commission to ensure the coherence of work programmes throughout the life cycle management of defence products and technologies. The work programme shall ensure that a credible proportion of the overall budget benefits actions enabling the cross-border participation of SMEs and mid-caps.

Complementarity

The Fund shall take into account the action plan on military mobility as part of the next Connecting Europe Facility, European Peace Facility to

support, and, inter alia, Common Foreign and Security Policy CFSP/CSDP Missions and efforts to counter Hybrid Threats, and help to coordinate capability planning, development, procurement and operations.

European Defence Fund 2021-2027

The European Parliament adopted by 328 votes to 231, with 19 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council establishing the European Defence Fund.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amended the Commission proposal as follows:

Objective

The proposed Regulation shall aim to create the European Defence Fund for the period 2021-2027, the objective of which shall be to promote the competitiveness, efficiency and innovative capacity of the European Defence Technology and Industrial Base throughout the Union.

The Fund shall contribute to the strategic autonomy and freedom of action of the Union:

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

By supporting collaborative research and collaborative development of defence-related products and technologies, the Fund shall make the most effective use of defence research expenditure in the Union, encourage market uptake of European products and technologies and reduce the fragmentation of defence-related products and technologies across the Union.

Lastly, the Fund shall lead to greater standardisation of defence systems and greater interoperability between Member States' capabilities.

Such cooperation shall be consistent with the defence capabilities priorities agreed by the Member States in the framework of the Common Foreign and Security Policy and in particular in the context of the Capability Development Plan.

Budget

Parliament has proposed that the financial envelope for the implementation of the European Defence Fund for the period 2021-2027 be set at EUR 11.5 billion at 2018 prices, according to the following indicative breakdown:

- EUR 3.6 billion to directly finance competitive and collaborative research projects, including grants;
- EUR 7.8 billion for prototype phase and related certification and testing requirements.

In order to respond to unforeseen situations or new developments and needs, the Commission may reallocate amounts between the allocations for research actions and development actions referred to in paragraph 2, up to a maximum of 20 %.

At least 4 % and up to 8 % of the financial envelope shall be allocated to calls for proposals or awards of funding supporting disruptive technologies for defence.

Ethics

Actions implemented under the Fund shall comply with relevant national, Union and international law, including the Charter of Fundamental Rights of the European Union. These actions shall also comply with ethical principles reflected also in relevant national, Union and international law. The conditions for the implementation of activities with ethically sensitive issues shall be specified in the funding agreement.

Eligible entities

The amended text stipulated that the infrastructure, facilities, assets and resources of the recipients and subcontractors involved in an action which are used for the purposes of the actions financially 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 involved in an action shall not be subject to control by a non-associated third country or by 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 shall be eligible as a recipient or subcontractor involved in an action only if guarantees approved by the Member State or the associated country in which it is established, in accordance with its national procedures, are made available to the Commission.

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

If deemed to be appropriate by the Member State or the associated country in which the legal entity is established, additional guarantees may be provided.

There shall be no unauthorised access by a non-associated third country or other non-associated third country entity to classified information relating to the carrying out of the action and potential negative effects over security of supply of inputs critical to the action shall be avoided.

Eligible actions

Actions for the development of lethal autonomous weapons without the possibility for meaningful human control over the selection and engagement decisions when carrying out strikes against humans shall also not be eligible for financial support by the Fund, without prejudice to the possibility to provide funding for actions for the development of early warning systems and countermeasures for defensive purposes.

An activity may benefit from an increased funding rate where at least 10 % of the total eligible costs of the activity are allocated to SMEs established in a Member State or in an associated country and which participate in the activity as recipients, subcontractors or as entities in the supply chain.

The results of the research activities supported financially by the Fund shall remain with the recipient who generated them.

The Fund shall be implemented by annual work programmes setting out, where applicable, the overall amount reserved for blending operations as well as the overall budget benefiting the cross-border participation of SMEs.

European Defence Fund 2021-2027

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.