

# European Defence Fund 2021-2027

2018/0254(COD) - 18/04/2019 - Text adopted by Parliament, 1st reading/single reading

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.