Who benefited most of the PADR in 2017-2018?

➢ 13 beneficiaries get 60.5% of the budget allocated so far, including 7 former members of the GoP getting more than 40%.

To date, the EDA has selected 7 projects for a total amount of €50.26 million covering the years 2017 and 2018. The average size of grant is €620,495, ranging from €26,865 to €5.2 million. One project is still awaiting a final decision for 2018, on self-learning drone swarms. This long-delayed final decision might reflect controversy around ethical issues. For the remaining budget in 2019, calls for proposals where launched in spring 2019 and projects should be selected in the second half of 2020.

The EDA is providing detailed public information on projects selected on its website, allowing to know in details who is receiving how much money per project. The country of origin is also indicated but not the type of entity (industry, research centre, academia, governmental body, etc.) nor if it falls under the category of SMEs or MidCaps.

But this already enables some interesting analysis: From a global perspective, we can see that 13 out of 81 beneficiaries (16%) are receiving grants of more
than €1 million, making 60.5% of the total budget allocated so far. 3 of them are French entities, 2 from Germany, and then one respectively from Greece, Italy, the Netherlands, Poland, Sweden, Spain, and the UK. The last one is the NATO Science & Technology organisation. In particular, 7 of the 8 private stakeholders (Industry or research centre) that were part of the Group of Personalities advising the European Commission on military research funding in 2015 are involved in 5 of those 7 projects: Airbus, Indra, Leonardo, MBDA, Saab, the Frauenhofer Institute and TNO. As they participate in several projects, they receive in total 20 grants amounting to €20.53 million, that is 40.86% of the total budget allocated so far. Only BAE systems is not involved in any project.

➢ And the winners are... Italy with almost 20% of total budget allocated & Leonardo with biggest grant

In terms of country, the big winner is definitely Italy. 14 Italian beneficiaries are taking part in 6 projects, receiving 20 grants for a total amount of €9.98 million. This makes 19.85% of the total budget allocated so far. It is then followed by France and Germany with 11 beneficiaries each, receiving respectively 14 and 13 grants, making respectively 15% and 11.9% of the total budget allocated. The 4th seat is for Spain, with 7 beneficiaries receiving 10 grants for a total amount of €5.24 million (10.4% of the total budget allocated). Although UK receives only 4.2% of the budget with 5 beneficiaries and 6 grants, the big 5 countries still receive 61.36% of the total budget allocated so far. When considering the following countries that get more than 4% of the budget (Sweden, the Netherlands, Greece and Poland), one can see that 9 out of 28 countries get close to 85% of the total budget allocated, while 10 countries get no funding at all.

As regards specific companies, Leonardo is by far the big winner: it participates in 4 projects and gets a total amount of €5.8 million from the EU. It is then followed by Saab and INDRA receiving respectively €3.23 and €3.1 million, and then the Frauenhofer Institute, TNO, Safran and the NATO Science & Technology organisation receiving each more than €2 million.

It will be necessary to wait for the details of all projects including the 2019 calls to be able to draw final conclusions. However, despite the official discourse focusing on the large number of participants and countries under the largest project (Ocean 2020), a closer look at the figures shows there are some big winners and that some companies are having privileged access to EU funding. The smallest beneficiaries like Czech Republic, Romania, Bulgaria, Denmark, Belgium or Estonia receiving €500’000 or less may be merely playing supporting roles to justify the funding.

Links to relevant documents

Europeans propose siccing self-learning drone swarms on air defences
EDA webpage on PP and PADR projects

The new DG DEFIS (DEFence Industry and Space) to be in place on January 1st

Under the new European Commission, the new DG to be in charge of the Defence Industry and Space policy under the Internal Market portfolio (French Commissioner Thierry Breto - see NBB 2019-4 dated 15.11.2019) will be called DEFIS, and should be ready to run from January 1st. It will be mainly made up of of existing Directorates or Units that will be moved under this DG. The organigram should merely look like this (administrative Units are note included), and it is expected that a large part of the staff will remain in its current role. Only the highest directorate level will need to be staffed with new individuals, in particular the General-Director and Deputy General Director. The 2 heads of Unit who are currently in charge of the EDIDP and the Defence Fund set-up should remain in charge (respectively Mrs Sylvia Kainz-Huber for the Research window, and Mr Alain Alexis for the Development window).
Short News

➢ Next EU budgetary Cycle (MFF 2021-2027): Finnish Presidency proposes to cut by half the EU Defence Fund

As it has been widely reported in media, the Finnish Presidency submitted a new proposal for the next EU Multi-Financial Framework for 2021-2027. This proposal includes in particular large cuts in the new areas of work like the military: a cut by half of the Defence Fund (€6 billion in 2018 prices), and even more for the military mobility (€2.5 billion in 2018 prices).

However this provocative proposal probably aims at creating an electrochock among EU Member States which are behaving quite irresponsibly: no one wants to give up its current benefits, many do no want to increase their contribution to the EU budget despite the coming Brexit, and all want the EU to do more in new areas like military research while showing commitment to fight climate change.

The last European Summit however did not seem to respond to the level of the challenge and just called for continuing negotiations. A first exchange took place on Tuesday 18 December between the President of the Council, the European Commission and the EP rapporteurs on the file. The Commission will probably use all its influence to significantly raise again the Defence Fund budget.

As it is regularly the case, one can expect that negotiations will end up with a compromise where we could see a Defence Fund amounting to roughly €10 billion. Many are quite sceptical that the Croatian Presidency will manage to secure a global deal however, and the final agreement on the next MFF will more probably be reached under the German Presidency. If so, the implementation of the new budget and the formal start of the fully-fledged Defence Fund would probably be delayed with 1 year.
➢ European Summit of 12 December: focus on climate change and Conference on the Future of Europe

The European Summit that took place in Brussels on 12 December mainly focused on and struggled with climate change, as widely reported in the media. It also addressed the project of a Conference on the Future of Europe: This French-German initiative calls for a more unified and independent Europe, and it should start in February 2020 for a 2-years debate. The first results should be communicate to the heads of State and government early 2022, and they will decide what will be the follow-up. Among the main issues to be discussed according to this proposal: a strengthened EU role on the global scene, the digital era, migrations, climate change, the fight against social inequalities and... ‘defence’ of course

However the precise content, scope, composition and functioning of such a conference still remain to be negotiated with the Commission and the Parliament under the Croatian presidency. A reference to a large consultation with citizens is included but how this would happen and influence the final result remains to be seen.

The European Parliament will discuss and adopt a Resolution on this Conference in January-February. But disagreements already appear in particular as regards a possible reform of the Institutions (and subsequent revision of the Treaties) favoured by the Parliament as an opportunity to increase its power, while Member States would consider this as “technocratic discussions” of no interest to European citizens.

➢ No agreement on the participation of third countries to PESCO / the Eurodrone under threat? / Danish interests under Defence Fund

On 29 November, EU ambassadors discussed the compromise proposal from the Finnish Presidency about the participation of third countries to PESCO projects, but could not reach an agreement. Greece, Cyprus and France still have concerns, while Eastern Europe countries find the new proposal not flexible enough. As no agreement could be reached by end of the year, the issue will be taken over by the Croatian Presidency.

The Eurodrone Project MALE (“moyenne altitude, longue distance”) would be under threat according to the newspaper Challenges. The first offer submitted by the industrial consortium is considered much too expensive by the 4 countries (Germany, France, Italy, Spain), 30% higher than their expectations. In such case its funding via the EDIDP might be compromised. €100 million were earmarked for this project under the European Defence Industrial Development Programme for 2019-2020.

The Danish government adopted on Thursday 12 December an Action Plan in order to promote Danish interests under the European Defence Fund.