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## **NEWS FROM THE BRUSSELS' BUBBLE**

### **#2022-3, 02 September 2022**

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#### **Main news items:**

- ✓ Updates on EU Defence Fund
- ✓ EU support and funding for joint procurements

#### **In short:**

- ✓ updates on EU Peace Facility
- ✓ UK 'winning' the Ukrainian military market?
- ✓ Massive increase of military spending in EU countries

#### **2020 EU Calendar: main meetings to come**

**6-7 October** Informal EU Summit

**17 October** EU Foreign Affairs Council

**20-21 October** European Council (EU Summit)

**14 November** EU Foreign Affairs Council

**15 November** EU Foreign Affairs Council - Defence

**12 December** EU Foreign Affairs Council

**15-16 December** European Council (usually with Defence-related conclusions)

**01-01-2023** Swedish Presidency of the EU

[Access the previous Newsletters here](#)

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### **Updates on EU Defence Fund**

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#### **➤ EDIDP 2020: updated breakdown per beneficiary**

The Financial Transparency System of the EU has been updated with detailed breakdown figures for the EDIDP 2020 projects, with the exception of two projects and the directly awarded projects MALE and ESSOR). We now know the allocations of PADR and EDIDP funding to entity level for €434,45 million, that is 74% of the total PADR and EDIDP budget for 2017-2020 (€590 million).

Collecting the information through the Transparency System is a long and complex process, the reason why we've teamed up with [opensecuritydata.eu](https://opensecuritydata.eu) in order to present this information in an easy and user-friendly manner. The military research section of the database should be running by end of September. In the meantime the main findings are:

The 8 companies and research institutes represented in the 2015 Group of Personalities (GoP) that had

advised the EC to create this funding account for 28,08% of the allocations. These are Airbus, MBDA, BAE Systems, Saab, TNO, Leonardo, Indra, and the Fraunhofer Institute.

The top 5 beneficiaries are: 1) Leonardo (€41.436.571 - 9,54%), 2) Thales (€29.063.553 - 6,69%), 3) Indra (€27.946.218 - 6,43%), 4) Safran (€22.958.076 - 5,28%) and 5) Airbus (€22.217.356 - 5,11%). Then come Saab, KMW+Nexter Defense Systems, GMV, Hensoldt and the Fraunhofer Institute, getting each between 2,8 and 1.9% of allocations.

As regards the top 5 countries, France is still the main winner with French entities getting a quarter of the total amounts allocated (almost €109 million), followed by Italy (14,74%), Spain (14,7%), Germany (11,25%) and Greece (5,86%).

*(by Mark Akkerman, Stop Wapenhandel)*

### ➤ EU Defence Fund 2021: 61 selected projects focus on combat systems

The EC released on 20 July the list of projects selected under the 1st EDF calls for proposals for the year 2021. 61 projects have been selected, 31 are research projects (for a total amount of €322 million) and 30 are capability development projects (for a total amount of €845 million). The total amount of subsidies for 2021 is close to €1.2 million.

The most striking fact when considering the list of projects is the priority given to combat systems: air combat systems is the category getting most of the EU funding with €189,8 million to be dedicated to those projects, followed by ground combat (€154,7 million) and naval combat (€103,5 million). The 4<sup>th</sup> category is air and missile defence worth €100 million. Almost half of the EDF 2021 budget is thus directly devoted to combat and defence systems, reinforcing the feeling that the EU is shifting its focus to preparing for war more than working for peace.

The other half of the budget is shared among 10 categories ranging from energy and environment to space, cyber or disruptive technologies (€64,5 million). To note that the current project fact-sheets only provide a brief description of the projects and the list of participating entities, but not the detailed breakdown of budget per beneficiaries. The grants contracts are still under negotiations and should be signed in the coming months.

AS usual, France is the biggest beneficiary with French entities making 180 participations in projects, followed by Italy and Spain with around 150 participations and then Germany with about 110. Two other countries are over 50 participations (Greece and the Netherlands), while the 21 other participating countries are below 50, and 16 of them are even below 20 participations. Norway as associated non-EU country is over 30 participations, while Malta remains the only EU country not involved in the EDF.

In its press release, the EC welcomes the success of the EDF first calls for proposals as a “*major step for European defence cooperation*”. However serious obstacles to genuine cooperation remains, and national industrial rivalries are never far away. This is reflected in the difficulties in several major cooperation projects listed recently in the French press:

the Eurodrone project MALE took years to start taking off, and other major programmes are under threats, from the future air combat system SCAF with persistent severe disagreements between Dassault aviation and Airbus (to the point that [Spain is considering buying F-35s instead](#)), but also for the future ground combat system (the French-German ‘European tank’), the failed Maritime Airborne Warfare System involving France and Germany, and lastly the common Tigre helicopter project that Germany definitely abandoned.

#### Links to relevant documents

[EC Press release on EDF 2021 projects](#) (20/07/2022)

[EC factsheet ‘overview of EDF 2021’](#)

[list of fact-sheets per project \(EDF 2021\)](#)

[‘La France a fini par prendre acte de la décision allemande d’abandonner l’hélicoptère d’attaque Tigre Mk3’](#), opex360.com, 13/08/2022

## EU support and funding for joint procurements

### ➤ Set-up of an Inter-institutional Joint Procurement Task Force

Following the 18 May EC Communication on Defence Investments Gaps (see [Newsletter 2022-2, 24.06.22](#)), a number of very concrete steps and measures have been taken over the summer:

The Defence Joint Procurement Task Force was set-up and met already several times since 15 June.

According to [B2pro](#), it is made-up of 2 representatives of each EU institution, e.g. the Commission, the Defence Agency and the External Action Service. The task Force helps member states coordinate their very short term procurement needs, by collecting requests on the one side and by suggesting joint acquisitions

and possibly negotiating with the industry on the other. The Task Force has no decision power and it is up to member states to decide joint acquisitions, with whom and how. The Task Force can still help with processes and models however. The Task Force is fully informal, with no hierarchy nor structure. This makes it flexible and efficient, but also escaping external scrutiny. It is supposed to be a short term measure, yet agreeing on a more formal central purchasing body will be a difficult task (see [Newsletter 2022-2, 24.06.22](#), p.3), and a solution could be to maintain this informal task force instead.

### ➤ Half-a-billion € of EU funding for common acquisitions of military goods

On 19 July The Commission presented the draft Regulation on common procurement (full title is ‘on European Defence Industry Reinforcement through common Procurement Act’, or EDIRPA), also announced in the 18-May package. It makes EU funding available to encourage joint procurements by consortia of EU Member States and associated countries like Norway. €500 million will be dedicated to this over two years (2022-2024). The money will be taken from the ‘special instruments’ envelop as well as margins of the security and defence envelop.

In short, the EU budget will subsidize the joint acquisition of weapons and military equipment by Member States, under conditions quite similar to the rules under the EU Defence Fund:

- the consortia should involve at least 3 Member States, for new cooperation or for the extension of existing ones to new Member States or associated countries
- procurement of goods or services prohibited under international law is excluded, as well as *“lethal autonomous weapons without the possibility for meaningful human control over selection and engagement decisions when carrying strikes against humans”*
- as a principle contractors and subcontractors (incl. infrastructure, facilities, assets and resources involved in the procurement) shall be established in the EU and not be subject to control by a non-associated third country or entity. But derogations are possible under conditions similar to the EDF ones
- procurement shall concern *“the most urgent and critical defence products”* and they shall be ‘ITAR (or similar) free’

The draft Regulation does not define the level or range of EU contribution: this will be defined according to *“the complexity of the common procurement”*, *“the characteristic of the cooperation”* and *“the number of participating countries”*. Moreover the financing may not be linked to actual costs but based on the *“achievement of results”*. These provisions are justified *“in order to create the necessary incentive effect”*.

[According to B2pro](#) however, the EU support should range between 10 and 20% of the actual costs.

As regards the type of military goods or services, the draft Regulation gives no indication apart from the

specific exclusions mentioned above: the selection of ‘actions’ will be mainly based on industrial criteria like the contribution *“to strengthening and developing the Union defence industrial base”* capacity to answer *“the most urgent and critical defence products needs (...)* and *delivery lead times, replenishment of stocks, availability and supply”*, or the contribution to *“the competitiveness and adaptation of the EDTIB, [the] ramp-up of manufacturing capacities, reservation of manufacturing capacities, its reskilling and upskilling and overall modernisation”*. Cooperation among Member States and interoperability of products come 3<sup>rd</sup> in the list of award criteria.

As for the concrete implementation of the Instrument, the EU Commission will play the main role through implementing acts, making the exception the norm in all defence-related policies, as we alerted years ago. The Task Force set-up in June will play a key role in identifying needs, and a Member States’ Committee will have the final decision-making role. The European Defence Agency and the External Action Service will be invited to assist and provide their views and expertise as observers to the Committee.

As regards the adoption of the draft Regulation, the EC wants its adoption under a fast-track procedure leaving little time for a proper debate. [According to B2pro](#), The Czech presidency of the EU is hoping to reach an informal agreement at least during the Council meeting of November, in order to reach an informal agreement with the EP in December. The main point of disagreement among Member States seems to be the limitations towards non-EU countries or entities. During the informal meeting of EU Defence ministers in Prague, on 29-30 August, MoDs from Poland and Italy for example insisted that reimbursements should also be possible for acquisitions outside the EU in order to preserve cooperation with key allies, [reports B2pro](#). At EP level, the Industry (ITRE) Committee will lead parliamentary work, with opinions from Budgets (BUDG), Foreign Affairs (AFET) and Internal Market (IMCO) committees.

The Commission should submit in the autumn, probably in November, a proposal for a Regulation to make this instrument sustainable in the long run, for a ‘European Defence Industry Programme’ (EDIP) to run till 2027.

### ➤ Ad-hoc Working Party on defence industry set up at Council level

On 29 June, EU ambassadors agreed to create an ad hoc Working Party on defence industry at Council level, made up of national officials. It is another sign of how defence is becoming a ‘normal business’ at EU level: indeed there are many working groups at Council level to follow developments and prepare decisions on the full range of EU policies. It was just a matter of time that one was set-up on military issues. Even though the minimalist option has been chosen so far (see [Newsletter 2022-2, 24.06.22](#), p.4), it is

expected that this ad-hoc WP will be de facto permanent in view of its mandate to provide advice on draft legislative acts and other legal acts on issues related to the European defence industrial and technological base (EDTIB), that is the military industry at large. (see [Statewatch article](#) for further details). The WP had its first meeting on 20 July and addressed in particular the draft EDIRPA Regulation being now the first place for negotiations between Member States.

#### Links to relevant documents:

[Proposal for a Regulation ‘on establishing the European defence industry Reinforcement through common Procurement Act’, COM\(2022\)349 final](#), 19.07.2022 (all EU languages)

[EP procedure file on EDIRPA draft Regulation](#)

EC press release, [‘Defence industry: EU to reinforce the European defence industry through common procurement with a €500 million instrument’](#), 19.07.2022

[‘EU: Council establishes new working party on defence industry as part of military push’](#), Statewatch, 31.08.2022

[Informal meeting of EU Defence Ministers: Press remarks by High Representative Josep Borrell](#), 30.08.2022

## Short News

### ➤ EU Peace Facility News

#### MoDs give green light for a military training mission for Ukraine

One of the main outcomes of the Informal meeting of Defence Ministers in Prague late August is the unanimous political agreement given to a PSDC mission for the Ukrainian armed forces. The formal decision is expected to be taken at a next ministerial meeting in September/early October, and the mission could then start right away. This means that the preparatory work is already well under way, and a number of possible features have been [presented by the High Representative Josep Borrell](#) and a [non paper leaked in the press](#):

Usually EU PSDC missions are located in the recipient country, but in order to avoid appearing as ‘co-belligerent’ this EUATM (EU Military Advisory and Training Mission Ukraine) should happen outside Ukraine, either in an EU Member State particularly involved (Poland, Slovakia or Romania for example) or an ally country (Moldavia was mentioned).

The Ukrainian defence minister joined the informal EU meeting online and presented the most urgent needs and priorities of the Ukrainian army. According to the leaked memo, the mission “*could build on the training initiatives of EU member states already underway and help support and coordinate these efforts*”. Tasks listed in the memo of the mission could include specialised training in medical aid, mine clearance, training for snipers and elite forces, training of staff and non-commissioned officers and other ranks. Yet choices will have to be made among priorities and whether to focus on the short term only or also consider medium/long term needs, and this might raise disagreements between Member States.

Some EU countries expressed some reservations about an EU-led mission (Austria and Hungary in particular), and would rather call for a limited coordination role of already ongoing national training efforts.

Another question is the coordination with involved allies like the US and Canada, and with the UK which is already conducting training courses for the Ukrainian armed forces.

Lastly, although no concrete proposal has been made yet, EU Member States will sooner or later have to discuss the EPF budget which has been largely used already for arms deliveries to Ukraine. The options are to either increase the EPF budget or create a special fund for Ukraine.

[Informal meeting of EU Defence Ministers: Press remarks by High Representative Josep Borrell](#), 30.08.2022

[‘EU decides to start work on Ukraine military training mission’](#), Euractiv, 30.08.2022

[‘A quoi pourrait ressembler la mission de l’UE en Ukraine ? La proposition du Haut représentant’](#), B2pro, 30.08.2022

**Links to recent assistance measures decisions:**

[European Peace Facility: Council adopts an assistance measure to support the Nigerian Armed Forces](#)

[EU support to the African Union Mission in Somalia: Council approves further support under the European Peace Facility](#)

[European Peace Facility: Council adopts assistance measure in support of the Moldovan Armed Forces](#)

➤ **UK ‘winning’ the Ukrainian military market?**

[According to B2pro](#), Ukraine is only asking for British equipment at the moment. This seems a matter of concern for EU countries, who would like to place their own equipment. London has close ties with Ukraine, having trained its armed forces already for years and with a special advisor in place in Kiev. An idea immediately studied in Paris, which intends to counter this ‘British primacy’. And maybe an extra motivation for deciding the EU training mission for Ukraine?!

➤ **Massive increase of military spending in EU countries**

[B2pro made an overview of the military spending to come in EU countries](#). The EC had already evaluated a total increase of about €200 billion over several years, largely due to the German decision to dedicate €100 billion to its army over the next years. According to B2pro, 18 EU countries decided to increase their military spending, sometimes significantly, and 13 of them intend to reach or even go beyond the 2% of GDP benchmark. Not surprisingly Eastern countries are the ones considering the biggest increase beyond 2%: Poland (3% already in 2023), Lithuania (over 2.5% already in 2022), Latvia (2.5% in 2025), Romania (from 2 to 2.5%), as well as Germany (over 2% from 2022).

Those targeting the 2% benchmark are: Slovakia (2% by end of the year?), Italy (2% by 2024), the Netherlands (2% in 2024), France (2% by 2025), Sweden (2% in 2028), Spain (2% in 2029), Denmark (2% in 2033), Belgium (2% in 2035).

Even Austria and Luxembourg want to reach 1% of their GDP in military spending in the coming years, which is a serious increase compared with previous years.

Finland plans €5.7 billion in 2023, and Ireland plans 1.5 billion by 2028, the highest increase in history. The Czech Republic raised back its budget to the initial plan after having considered a decrease to compensate public deficit.

➤ **Subjective list of interesting links**

[Non-Proliferation of Nuclear Weapons Treaty: Statement by the High Representative Josep Borrell on the occasion of the closure of the Tenth Review Conference of the Parties](#)

[Kazakhstan halts arms exports amid Ukraine war, Euractiv, 28.08.2022](#)

[NATO launches innovation Fund, Press release, 30.06.2022](#)

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