

NORDEFCO final report on **European Instruments, especially EDF, in the Nordic Context**

The European Defence Fund (EDF), launched in 2021, is a new instrument funded from the EU budget during the current Multiannual Financial Framework of 2021-2027. The EDF consists of research and development packages, and the Fund can be used to support joint efforts to develop capabilities across Member States. With a total budget of nearly 8 billion euro, approximately 5,3 billion euro for development and 2,7 billion euro for research actions, it's goal is to increase the competitiveness, efficiency and innovation capacity of the European defence industry and research community. At the same time, the establishment of the Fund supports the objective to strengthen an open and integrated European single market. The activities supported cover the entire research and development cycle of the defence materiel. The EDF was preceded by the Preparatory Action on Defence Research (PADR) in 2017-2019 and the European Industrial Development Programme (EDIDP) in 2019-2020. From the Nordic Countries Sweden, Denmark, Norway (associated country due to its EEA membership) and Finland participate in the European Defence Fund.

The findings of this report are based on the work done in the NORDEFECO network during the Finnish Chairmanship, e.g. expert level workshop, report from the military level, and various discussions in NORDEFECO meetings.



One of the Finnish NORDEFECO Chairmanship priorities

One of the priorities of the Finnish NORDEFECO Chairmanship for the armament cooperation was how we could better utilize the European instruments, in particular the European Defence Fund, in the Nordic context. This work began during the Danish Chairmanship of 2020 when the Nordic countries began to explore joint Nordic possibilities within the EDF.

This priority is very much linked to the Nordefco vision 2025, which recognizes the role of the Nordic defence industry in developing capabilities that meet the requirements of our Armed Forces, and that the EDF could be utilized to support this. As the cooperation with the defence industry is important, we invited the industry to participate in this work as well.

The negotiations regarding the European Defence Fund, its priorities, and Work Programmes take place in the Commission-led Programme Committee where each



Member State represents itself. When it comes to mandates, resources, and responsible organizations, the Nordic countries have also organized their EDF related work in a different manner. Regardless of these elements, the Finnish NORDEFECO Chairmanship considered it important to discuss how the Nordic countries could achieve better information sharing and improve coordination.

Questions raised and the key findings

During the Finnish NORDEFECO Chairmanship, the Nordic countries discussed, for example during a specific NORDEFECO expert level workshop on 31 August 2021, how we could achieve better information sharing and improve coordination, perhaps even find common project proposals for the later years of the European Defence Fund.

The Nordic states also discussed how the current structures could improve information exchange in this domain. The countries also discussed how the NORDEFECO processes supporting capability development and armament cooperation could be utilized and developed also in relation to mapping out EDF projects and identifying common shortfalls based on which the Nordic countries could explore the possibility of an EDF project. As the Nordic countries could benefit from sharing information on the lessons learned and best practices, we also had the opportunity to discuss the lessons learned of the EDIDP outcome.

The Nordic countries seem to have a shared understanding that there is potential for Nordic cooperation within the EDF, stemming from the shared operational environment and common capability needs. It was also recognized that the Nordic countries have started to look more actively for possibilities for cooperation also in the EDF. There is common interest in finding new ways of cooperating, as well as will to solve existing challenges.

In order to be successful in EDF calls, work towards a project proposal, in parallel between defence administrations and relevant industry, needs to start well before the publication of call texts or adoption of the annual Work Programme, and preferably even before Commission and Member States have started their discussions on the Work Programme. In the best case, the collaborative opportunity is identified before the Commission's proposal for a Work Programme is distributed to Member States. This would enable the Nordic countries to try to influence the content of the Work Programme as well as collaborate in the harmonization of the call texts.

In relation to the Work Programme, there was also discussion if and how the Nordic countries could have a coordinated approach towards a given Work Programme and the Multiannual Perspective. Through a coordinated approach, the Nordic countries could have better opportunities to influence the content of the Work Programmes.

EDF as a whole is very complex and thus preparing a project proposal creates a heavy administrative burden both to defence administrations and industries. Several different arrangements need to be negotiated and concluded between countries and with the industry. This requires legal, financial, technical etc. expertise from the defence administrations.

Member State's different export licencing policies were raised as a potential challenge especially in relation to exports to third countries. It was pointed out by industry that Member States participating in a project that obtains funding from the EDF should, when establishing the collaboration, agree on the principles they will apply in relation to exports of the developed system/product.

A general requirement for EDF projects is that they are ambitious towards the technologies sought to be developed and the scale of utility of the developed capabilities. The EDF projects identified by NORDEFECO will have to be ambitious to win European grants. This requires the member countries to adopt an approach allowing for more flexibility and risk. Flexibility and risk is needed and inherent in research and development projects. A common Nordic approach to the harmonization of the annual Work Programme's call texts could help ease this challenge.

The current structures of NORDEFECO does not support in an ideal way research and technology (R&T) related cooperation among the NORDEFECO countries, as R&T is currently part of COPA CAPA. Therefore, it was proposed that NORDEFECO countries should consider whether a separate COPA R&T should be established. In addition to potential R&T cooperation in the auspices of EDF, such COPA R&T could address e.g. opportunities offered by emerging and disruptive technologies.

EDF is now being discussed in different NORDEFECO groups, e.g. by COPA CAPA and the NORDEFECO EDF expert group. It was recognized that these discussions need to be better coordinated.

Some Nordic countries have or are about to develop specific EDF strategies. A need for a NORDEFECO strategy or an NORDEFECO guide was also raised during the discussions. The establishment of a high-level task force between the Nordic industry and countries was also proposed to explore cooperation possibilities and potential common projects that could apply EDF funding in the future calls.

It was widely agreed between the Nordic countries that the EDF and other European instruments have the possibility for facilitating deeper cooperation in the Nordic context and these possibilities should be examined further and utilized better. In the preliminary lessons identified and lessons learned from EDIDP, the need for cooperation and information sharing between the Ministries, Armed Forces and industry was considered particularly important.



Progress in cooperation and information sharing

The EDF has already increased cooperation, both within the defence industry and between governments. In the NORDEFECO cooperation, we have already achieved progress in improving information exchange and sharing best practices.

The Nordic meetings on EDF, Chaired by Sweden in 2021, had their first meeting in December 2020. In April 2021, the group agreed to hold monthly meetings starting in May 2021. The group has increased cooperation and sharing of information and best practices related to the EDF, national EDF organization, processes and structures. Among other issues, the group has discussed national approaches to co-funding issues and coordination between industry, stakeholders and Armed Forces. Efforts towards matchmaking between the Nordic industry and research actors have also been made. The initiative has proven to be a useful forum for finding Nordic approaches to utilizing the EDF.