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REPORT

on financing the Common Security and Defence Policy
(2014/2258(INI))

Committee on Foreign Affairs
Committee on Budgets

Rapporteurs: Eduard Kukan, Indrek Tarand

(Joint committee meetings – Rule 55 of the Rules of Procedure)

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on financing the Common Security and Defence Policy (2014/2258(INI))

The European Parliament,

- having regard to Title V of the Treaty on European Union (TEU), in particular Articles 21, 24, 41, 42, 43, 44, 45, 46,
- having regard to the Treaty on the Functioning of the European Union (TFEU),
- having regard to Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020¹,
- having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management²,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³ and its subsequent modifications,
- having regard to the European Court of Auditors' Special Report No 18/2012 entitled 'European Union assistance to Kosovo related to the rule of law',
- having regard to the European Council conclusions of 18 December 2013,
- having regard to the Council conclusions on the Common Security and Defence Policy of 25 November 2013 and 18 November 2014,
- having regard to the progress report of 7 July 2014 by the Vice-President / High Representative (VP/HR) and the Head of the European Defence Agency on the implementation of the European Council conclusions of December 2013,
- having regard to the Joint Communication by the VP/HR and the Commission entitled 'The EU's Comprehensive Approach to External Conflicts and Crises', and the related Council conclusions of 12 May 2014,
- having regard to the 2014 annual report and the 2013 financial report of the European Defence Agency,

¹ OJ L 347, 20.12.2013, p. 884.

² OJ C 373, 20.12.2013, p. 1.

³ OJ L 298, 26.10.2012, p. 1.

- having regard to its resolution of 3 April 2014 on the EU comprehensive approach and its implications for the coherence of EU external action¹,
 - having regard to the Presidency conclusions adopted by the European Council in Helsinki on 11 December 1999 (Headline Goal 2003) and to the Headline Goal 2010 approved by the Council on 17 May 2004,
 - having regard to the Civilian Headline Goal 2010 approved by the ministerial Civilian Capabilities Improvement Conference and noted by the General Affairs and External Relations Council on 19 November 2007,
 - having regard to Rule 52 of its Rules of Procedure,
 - having regard to the joint deliberations of the Committee on Foreign Affairs and the Committee on Budgets under Rule 55 of the Rules of Procedure,
 - having regard to the report of the Committee on Foreign Affairs and the Committee on Budgets (A8-0136/2015),
- A. whereas the increasingly challenging security environment within and outside the Union, characterised by new risks and threats which no Member State can cope with alone, calls for a strengthening of the CSDP to make it a more effective policy instrument and a real guarantee of the safety of EU citizens and the promotion of European interests and values; whereas the Union needs to make its external borders more secure;
 - B. whereas budget cuts in defence spending and existing duplications require the rethinking of the financing of CSDP missions and operations by using budget allocations in a better and more cost-efficient way while ensuring proper democratic scrutiny at EU institutional level of all missions and operations, whether civil or military;
 - C. whereas the European Council of December 2013 decided to examine the financial aspects of EU missions and operations, including the review of the Athena mechanism, in order to ensure procedures and rules that enable the Union to be faster, more flexible and efficient in the deployment of EU civilian missions and military operations;
 - D. whereas according to the provisions of the Lisbon Treaty the EU High Representative is also a Vice-President of the Commission and head of the European Defence Agency, as well as chairing the Foreign Affairs Council of the European Union; whereas according to Article 45 TEU the European Defence Agency ‘shall carry out its tasks in liaison with the Commission where necessary’;
1. Notes that the EU and its Member States are major funders of the various peace and crisis management operations throughout the world while CSDP civilian and military missions and operations constitute a very small share of all funding; acknowledges the importance of CSDP interventions for achieving peace, while encouraging Member

¹ Texts adopted, P7_TA(2014)0286.

States to adopt a more pronounced stance towards conflict prevention, post-conflict reconstruction and maintenance of sustainable peace in conflict-ridden zones; regrets the modest nature of CSDP interventions, especially the military ones, consisting mainly of small-scale military training missions instead of substantial European contributions to peacekeeping and peace enforcement; is convinced that the EU cannot allow itself to focus exclusively on instruments for a post-crisis context or for supporting exit from crisis, but must, rather, be capable of intervention across the full spectrum of crisis management;

2. Calls on the VP/HR and the Member States to unleash the full potential of the Lisbon Treaty, and especially of its Article 44 on the implementation of a CSDP task by a group of Member States and Article 46 on permanent structured cooperation, with regard to a faster and more flexible use of the CSDP missions and operations;
3. Notes with concern that despite a combined yearly defence budget of some EUR 190 billion, the Member States are still unable to meet the 1999 Helsinki Headline Goals; recalls the ambitious civilian headline goals set by the EU; calls for the EU to be strengthened as a real actor in defence in the context of NATO, and regrets the lack of a clear military doctrine which operationalises the tasks listed in Article 43 TEU (the expanded 'Petersberg tasks'); strongly advocates closer security and defence coordination and cooperation within a NATO context between Member States and at EU level, and in particular the pooling and sharing of resources, capabilities and assets; calls on the Commission to carry out an analysis of security and defence challenges and requirements as a matter of urgency;
4. Notes that the level of funding for civilian CSDP missions under the CFSP chapter of the EU budget has declined over the past years and is expected to stay stable as part of the multiannual financial framework 2014-2020; regrets that civilian missions have been affected by the generalised shortfall of payment appropriations, obliging the Commission to delay the payment of EUR 22 million to 2015 as a mitigating measure; welcomes, however, the fact that some EUR 16 million have been identified as possible savings, allowing further missions to be funded should the need arise in the near future;

Cost saving/efficiency-increasing initiatives

5. Welcomes the concrete measures and pragmatic solutions introduced recently by the Commission within the existing framework of financial rules in order to shorten financial procedures concerning the CSDP civilian missions; deplors, however, the still significant delays in procuring essential equipment and services to the CSDP missions under the CFSP framework, which are due partly to the often slow process of adopting decisions by the Council but also to a certain lack of a consolidated approach on the application of financial rules to CSDP missions and the resulting negative effect on the missions' functioning and staff, and potentially on the safety of missions;
6. Urges the Commission to mitigate these shortfalls by preparing a specific template for the financial rules for civilian CSDP missions and by adapting existing guidelines to their needs, in order to facilitate the rapid, flexible and more efficient conduct of missions, while guaranteeing sound financial management of EU resources and an

adequate protection of the Union's financial interests; takes the view that the budget should be delegated to the Civilian Operation Commander, in the same way as has been done for heads of EU delegations;

7. Calls on the Commission and the Member States to conduct an annual evaluation of the overall costs of security and defence policies, including a transparent presentation of procurement procedures, with a view to managing the budget allocated to this field as efficiently as possible in the future;
8. Strongly encourages the setting-up of a Shared Services Centre (SSC), together with an Integrated Resource Management System (IRMS), as a way to improve the speed of deployment and cost-efficiency of civilian missions; deplores the fact that to date this initiative has resulted in a stalemate; notes that a mission support platform is currently being considered, but calls on the Commission and the EEAS to take further steps towards establishing a genuine SSC;
9. Believes that the chronic constraints of the EEAS/Civilian Planning and Conduct Capability's administrative budget should be alleviated, as the yearly budget allocation remains too small to cater for all planning, conduct and support tasks, notably at a time when more missions are being launched almost simultaneously;
10. Takes the view that the permanent CSDP Warehouse, which currently only serves new CSDP civilian missions, should be quickly upgraded by enlarging its scope to include existing missions, improving the availability of stored equipment and enlarging, as well, the diversity of the necessary equipment; proposes that the CSDP Warehouse be managed by the future SSC;
11. Stresses the need for adequate staffing of missions in line with the various commitments made by Member States in this respect (e.g. the Civilian Headline Goal 2010 or the Multi-Annual Civilian Capability Development Plan); deplores, however, the difficulties encountered in recruiting – and keeping – a sufficient number of qualified personnel for CSDP missions; encourages the widespread use of rapidly deployable Civilian Response Teams (CRTs), which would increase the rapid reaction capacity of the EU, facilitate swift build-up of missions and contribute to the effectiveness of its crisis management response;
12. Regrets the opacity and high costs that prevail in the selection process of the private companies chosen to ensure the security of the CSDP civilian missions' personnel; calls for the creation of a security framework contract specific to CSDP civilian missions, in order to lower the fees charged by private security companies and make the selection process more transparent; believes that European companies should be given priority in this context;

Coherence and complementarity

13. Considers that the CSDP is part of the broader external CFSP dimension and of EU external action as a whole, as well as of the internal dimension of the common market and industry, space, research and development policies; strongly believes that coherence and complementarity should be ensured between the various instruments so as to

achieve economies of scale and maximise the impact of EU spending; is convinced that the EU has more tools and leverage potential than any other supranational institution, given that its security and defence policy can be reinforced by a comprehensive approach with other types of EU instruments and financing mechanisms; believes, therefore, that CFSP resources should be used in a smarter way, notably through enhanced coordination between CSDP instruments and the different EU funding programmes managed by the Commission;

14. Calls for better military-civilian synergies where appropriate, and in particular for them to be taken into account at the beginning of the planning processes, notably in the areas of premises, medical services, logistics, transport and the security of missions, while respecting the different chains of command and clearly distinguishing between the natures, objectives and modes of functioning of civilian missions and military operations;
15. Underlines the potential savings which would derive from fostering synergies at EU level in the military field, including transport, training and medical aid; highlights the role of the European Defence Agency in its mission of fostering interoperability and synergies in defence equipment and deployment capabilities among EU Member States, but strongly deplores the fact that, while headed by the VP/HR, it remains under the authority of the Council and fully funded from outside the Union budget, thus escaping European democratic scrutiny;
16. Welcomes the review of Crisis Management Procedures (CMP) agreed in 2013, as it led to improvements in the planning and launching of CSDP missions; stresses, however, that more needs to be done to overcome the persistent 'silos' separating different parts of the EU foreign policy machinery;
17. Calls on the Commission to set up permanent financial procedures for the cooperation between the Commission, the EEAS, the EDA, the ESA and Member States in the fields of CSDP and common market, industry, space, research and development policies; calls on the Commission and Council to establish permanent financial rules to link EU actors from the areas of internal security (e.g. Frontex, Europol, ENISA) with external defence (e.g. EDA, EEAS);
18. Welcomes the implementation of a pilot project on CSDP research undertaken jointly by the Commission and the EDA, as proposed by Parliament in the 2015 budget with a view to the Agency implementing the Union's objectives and budget; regrets in this context that the Commission did not provide Parliament with an assessment of the potential of Article 185 TFEU as requested in its resolution of 21 November 2013 on the European Defence Technological and Industrial Base (2013/2125(INI));
19. Welcomes the Commission's Implementation Roadmap for Communication on European Defence and Security Sector adopted on 24 June 2014; calls on the Commission in this regard to outline in a stakeholder assessment in which ways the potential beneficiaries as well as national and regional administrations are ready to make use of the measures referred to (ESIF, ERDF, ESF, INTERREG V); regrets in this regard that the Commission's proposals may have come too late to influence the ongoing resource allocation of national and regional administrations or re-channel EU

funds serving a stronger European Defence Technological and Industrial Base (EDTIB);

20. Calls on the Commission, in view of its responsibility of strengthening the EDTIB, to put forward a proposal clarifying how a negative impact of restrictive measures put in place by the Council on the basis of Article 215 TFEU on exporting European defence and security industries can be compensated from the EU budget or relieved by non-distorting market activities;
21. Welcomes the ‘Train and Equip’ initiative, which would ensure the capacity-building of partners, as part of a transition or exit strategy, by facilitating the financing of various forms of hardware and non-lethal equipment for security and defence forces of third countries, and supports a joint approach by the EEAS and the Commission on the matter; supports the creation of project cells within which interested Member States or third countries could contribute and which would help ensure quick delivery and buy-in of security needs for host countries by providing project support, and takes the view that such cells should be systematically made use of;
22. Welcomes the Commission proposals aimed at improving the implementation of Directive 2009/81/EC (on public procurement contracts) and Directive 2009/43/EC (on transfers of defence-related products on the internal market); calls on the Commission to bear in mind that European undertakings operating in the field of defence need special judicial and financial arrangements to enable them to be competitive and to support national efforts to bolster defence capabilities;

Financing military operations

23. Acknowledges that military operations are financed by the Member States outside the EU budget and that their common costs are covered by the Athena mechanism; underlines that Athena is crucial to the deployment of those operations and is an instrument of solidarity between Member States, encouraging them, especially those lacking financial and operational resources, to contribute to CSDP operations; regrets, however, that the actual proportion of the common costs remains very low (estimated at approximately 10-15 % of all costs) and that the high proportion of nation-borne costs and responsibilities in military operations based on the ‘costs lie where they fall’ principle is counter to the principles of solidarity and burden-sharing, and further deters Member States from taking an active part in CSDP operations; is worried that this state of affairs, especially in the context of the Member States’ lack of willingness to participate in the operations’ force generation, hampers the rapid deployment of CSDP operations and jeopardises their overall efficiency; believes that the long-term financing of military missions should be ensured;
24. Deplores, in this context, that the review of the Athena mechanism, which was due to be carried out by the end of 2014, has produced only very limited results, such as the organisation of a form of pre-financing of certain costs to speed up deployment; regrets that the Council did not reach an agreement on the inclusion of funding for the cost of the strategic deployment of EU battlegroups in the list of common costs systematically borne by Athena, only adopting instead a renewable decision for a two-year period; calls on the next European Council on Defence to consider a further expansion of the common costs eligible under Athena, such as the automatic financing of expenditure on

- CSDP operational and mission deployment (infrastructure for the accommodation of forces, expenses relating to the establishment of points of entry for troops into theatres of operations and security stocks of food and fuel where necessary);
25. Supports initiatives to explore the possibility of attracting and managing financial contributions from third countries or international organisations within Athena; also supports the option of 'joint financing', whereby a smaller number of participating countries would finance some operational costs of the missions, subject to the condition that their contributions are managed by Athena and supplement rather than replace the common costs;
 26. Recalls that the Lisbon Treaty provides the EU with new CSDP provisions which are yet untapped; encourages the Council to make use of Article 44 TEU, which enables a group of willing Member States to go ahead with the implementation of a CSDP task; considers that there is an urgent need for a faster decision-making process; takes the view that the ad hoc funding mechanisms for a military operation should cover more than the traditional common costs reimbursed by Athena;
 27. Calls on the Council to initiate, during the current budget year, the setting-up of the start-up fund (foreseen by Article 41(3) TEU) for the urgent financing of the initial phases of military operations, which could also serve as a strong tool for capacity development; also calls on the Council to put forward a proposal on how in a crisis situation the consultation of Parliament can be carried out quickly; notes that, while civilian missions benefit from a dedicated budget for preparatory measures, the deployment and efficiency of military missions will remain structurally hindered as long as this possibility is not used; strongly encourages Member States to engage in the permanent structured cooperation provided for by Article 46 TEU, through which the urgently needed improvement in the EU's rapid reaction capability would also be achieved considerably more quickly; regrets in this regard the lack of substance in the Council's Policy Framework for Systematic and Long-Term Defence Cooperation adopted on 18 November 2014, as this paper does no more than describe current practices; calls, therefore, on the Commission to put forward the necessary proposal to clarify how the EU budget can facilitate the establishment of the permanent structured cooperation (PESCO) and the work of military peacetime cooperation within the PESCO framework;
 28. Is surprised that there are as yet no European-level tax incentives for cooperation and pooling; takes note of the call by the December 2013 Council for such arrangements to be explored, and finds it regrettable that, a year on, discussions have not yet produced any tangible measures in this regard; notes that the Belgian Government already grants VAT exemptions, on an ad hoc basis, to the preparatory phases of certain EDA projects, e.g. for satellite communications; believes that such exemptions should be applied as a matter of course and should be extended to infrastructure and to specific capability-related programmes, taking as a model the existing mechanism within NATO or the existing EU mechanism for civilian research infrastructures; calls for the development of any other incentive that could encourage capability cooperation between Europeans;

Transparency and accountability

29. Stresses that transparency and accountability are essential requirements not only for democratic scrutiny but also for the adequate functioning, and the credibility, of missions carried out under the EU flag; reiterates the importance attached by Parliament to exercising oversight over the way the different CSDP missions and operations are budgeted; welcomes the reporting mechanisms provided for by the interinstitutional agreement of 2 December 2013, such as the quarterly reports on the CFSP budget and the joint consultation meetings on the CFSP; welcomes the commitment made by the VP/HR to breathe new life into the latter meetings and to introduce an appropriate degree of flexibility regarding their scope in order to keep Parliament fully informed on military missions and on the work and agenda of the Political and Security Committee; maintains that any improvement in the flexibility and efficiency of financing and undertaking missions and operations must not compromise the achieved positive developments with regard to transparency and accountability in CSDP interventions; calls on the Commission to make an extensive interpretation of Article 49(1)(g) of the Financial Regulation and to propose specific lines for each civilian CSDP mission under the CFSP chapter, and to automatically include in the annual activity report a breakdown of each mission on the basis of participants and costs incurred;
30. Looks forward to initiatives which would bring clarity and consistency to the financing and operating rules applying to civilian missions; welcomes, in the light of the ongoing discussion on flexibility in the financial rules, the commitment by the Commission to prepare a specific template for all CSDP missions, and to adapt the existing guidelines to their needs;

Match words with deeds

31. Encourages the VP/HR to take on leadership regarding the CSDP and to play a steering role in breaking down 'silos' by ensuring coordination between the Council, the Commission and the EEAS and guaranteeing coherence within the two latter bodies; suggests that EU Special Representatives could be entrusted with a mandate to improve dialogue and cooperation between the various EU players on the ground, in order to increase the coherence of EU action and turn the multiple sources of funding from a challenge into an asset;
32. Takes the view that the next European Council on Defence should seize the opportunity to hold an in-depth discussion and produce concrete proposals on reforming the financial arrangements for CSDP missions and operations, in order to make them more efficient and successful; urges the Member States to deliver on the commitments made at the European Council of December 2013; considers it necessary for the next European Council on Defence to take concrete steps to improve the EU's defence capabilities in a manner complementing NATO, to maintain and consolidate the European Defence Agency, and to provide support for a common industrial and technological base;
33. Calls on the Commission to support the efforts made by the Member States to put into effect the decisions adopted by the European Council on bolstering defence capabilities, bearing in mind the budgetary constraints facing some Member States;
34. Instructs its President to forward this resolution to the President of the European

Council, the VP/HR, the Council, the Commission, the governments and parliaments of the Member States, the Secretary-General of NATO and the President of the NATO Parliamentary Assembly.

MINORITY OPINION

on financing the Common Security and Defence Policy (2014/2258(INI))

Committee on Foreign Affairs, Committee on Budgets, Rapporteurs: Eduard Kukan, Indrek Tarand

Minority Report tabled by GUE/NGL MEPs Sabine Lösing, Javier Permyr Couso, Pablo Iglesias

The report regrets the modest nature of CSDP military interventions, calls for faster and more flexible CSDP missions and advocates civil-military cooperation. It demands closer defence cooperation, pooling and sharing of resources, capabilities and assets. Hence, the report supports an expansion of costs eligible under the ATHENA mechanism and doubts the principal of “costs lie where they fall” - which leads to an automatic financial involvement of each Member State in every EU- military mission.

We object to the report since it:

- looks for possibilities to evade Article 41 (2) – *Union budget cannot be used for expenditure arising from operations having military or defence implications* – in order to skim EU funds,
- regrets the lack of military doctrine which operationalizes tasks listed in Article 43 TEU i.a. military advice, combat forces in crisis management,
- promotes the extension of ATHENA for financing EU’s military missions beyond any parliamentary control,
- presses for the deployment of EU battlegroups, its financing via the ATHENA mechanism and for setting-up a start-up fund for military operations (Art.41 (3)),
- demands funding of the European Defence Technological and Industrial Base (EDTIB) via EU- budget

We demand:

- radical (CBRN) disarmament on EU and global levels
- no military funding from EU-budget
- civilian EU, strict civil peaceful approaches to conflict solutions
- full parliamentary scrutiny over any funds
- strict distinction between civilian and military missions

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	14.4.2015
Result of final vote	+: 54 -: 23 0: 2
Members present for the final vote	Lars Adaktusson, Nedzhmi Ali, Michèle Alliot-Marie, Nikos Androulakis, Jean Arthuis, Richard Ashworth, Petras Auštrevičius, Amjad Bashir, Bas Belder, Reimer Böge, Elmar Brok, Fabio Massimo Castaldo, Aymeric Chauprade, Lefteris Christoforou, Javier Couso Permuy, Arnaud Danjean, Jean-Paul Denanot, Gérard Deprez, Georgios Epitideios, Anna Elżbieta Fotyga, Eugen Freund, Michael Gahler, Jens Geier, Richard Howitt, Manolis Kefalogiannis, Afzal Khan, Bernd Kölmel, Andrey Kovatchev, Eduard Kukan, Zbigniew Kuźmiuk, Ilhan Kyuchyuk, Arne Lietz, Ulrike Lunacek, Andrejs Mamikins, Vladimír Maňka, Ernest Maragall, David McAllister, Francisco José Millán Mon, Siegfried Mureşan, Javier Nart, Urmas Paet, Pier Antonio Panzeri, Demetris Papadakis, Ioan Mircea Paşcu, Vincent Peillon, Alojz Peterle, Tonino Picula, Kati Piri, Andrej Plenković, Cristian Dan Preda, Jozo Radoš, Paul Rübig, Jacek Saryusz-Wolski, Alyn Smith, Jaromír Štětina, Charles Tannock, Indrek Tarand, Eleni Theocharous, László Tőkés, Ivo Vajgl, Johannes Cornelis van Baalen, Geoffrey Van Orden, Hilde Vautmans, Daniele Viotti, Marco Zanni
Substitutes present for the final vote	Reinhard Bütikofer, Bodil Ceballos, Tanja Fajon, Ana Gomes, Heidi Hautala, Marek Jurek, Igor Šoltes, Marie-Christine Vergiat, Anders Primdahl Vistisen, Tomáš Zdechovský
Substitutes under Rule 200(2) present for the final vote	Laura Agea, Ramón Jáuregui Atondo, Artis Pabriks, Julie Ward