

Purchasing Power: Towards Joint Procurement and Planning in European Defence?

Daniel Fiott | 22 September 2023

Key Issues

- Russia's war on Ukraine has provided a political impetus for the European Union (EU) to move towards joint defence procurement and planning, but not all member states agree with this direction.
- The introduction of the European Defence Fund (EDF) and the European Peace Facility (EPF) means that money is being pooled at the EU-level for defence. However, there is still a strong impulse to spend additional defence resources on a national basis.
- Joint EU defence planning would be a momentous, if sensitive, step in European defence integration. Even without an elaborate "plan" for joint defence planning, however, the EU will still need to consider issues such as export policies and technology transfers if joint defence procurement is to make sense.

How much should Europeans collectively invest in defence? This question may appear rather easy to answer given that NATO allies are expected to invest at least 2% of their Gross Domestic Product (GDP) in defence. Such investments are, however, overwhelmingly made on a national basis, even if they contribute to collective defence in line with the NATO Defence Planning Process (NDPP). Within NATO, there is no strict obligation for collaborative or joint capability programmes, although the alliance does rely on [pooled capabilities](#) such as surveillance drones, the NATO airborne warning and control system (AWACs), ballistic and air missile defence, command and control and more. One can also consider new initiatives such as the NATO Innovation Fund (NIF) as an instance of wanting to pool defence investments. Even so, the [Vilnius](#)

[Summit](#) only underlined that defence investment is a national responsibility in the alliance.

It is within the EU that the ethos of joint capability development is more pronounced, although most European collaborative capability programmes to date do not owe their provenance or growth to the EU. For example, the Eurofighter or the A400M aircraft were not funded by the Union. Nevertheless, in recent years the EU has enhanced its support for joint defence investments through financial tools such as the EDF. While it is still too early to assess the success or failure of the EDF, not least as no substantial capabilities have yet been produced by EU-funded means, Russia's war on Ukraine has only added energy to the notion of joint defence procurement and planning in the EU. Such joint endeavours are also a response

to one consequence of the war: defence spending has shot up in Europe, but this has not led to [enhanced collaborative](#) or joint European capability investments.

This Policy Brief assesses the challenges and opportunities inherent in the idea for joint EU defence procurement and planning. In essence, the Policy Brief argues that the major political challenge facing advocates of joint EU defence procurement is not necessarily the size of the price tag that underwrites projects, but rather the process of joint defence planning that must necessarily support the collaborative process. The Policy Brief argues that joint defence planning in the EU may organically emerge, even in the absence of any elaborate plan.

(Hey) big spender!

Over the past few years, the EU has steadily increased its involvement in defence industrial matters. To date, the EU has pledged €8 billion until 2027 under the EDF for defence innovation and capability prototyping and it is working on investing a further €700 million from common EU funds for the procurement of ammunition (€500 million under the Act in Support of Ammunition Production – ASAP) and to prepare the ground for joint capability acquisition (€300 million under the European Defence Industry Reinforcement through Common Procurement Act – EDIRPA). These investments should be put into perspective though, as EU member states invest over [€200 billion](#) in defence per year. Despite their relatively low level, the difference with EU-level investments is the insistence on collaboration. For example, there can be no access to financing under the EDF without cooperation between member states and industries, which is attractive not least because it can help create new supply chains and encourage cross-border technology transfers.

However, the European Commission wants to build on the EDF, ASAP and EDIRPA with a future European Defence Investment Programme (EDIP). Not much is known about the EDIP to date, as the Commission have not made a formal proposal on the Programme – one is [expected](#) by the end of 2023. However, the Commission have stated that the EDIP should serve as an ['anchor for future joint development and](#)

[procurement projects of high common interest'](#) to the EU. Such a plan would presumably seek to build on existing initiatives, such as the Defence Joint Procurement Task Force, which was established to help coordinate EU efforts on ammunition production and procurement in the wake of the war. Such a plan would also build on the EDF by providing finances for capability production rather than just research and development (R&D) and prototyping.

As no formal proposal for the EDIP has been made yet, it is difficult to discern how EU member states would view such a tool. One major question is how large the EDIP should be in financial terms. To make a real impact on joint defence procurement, the EDIP would have to be considerably larger than the almost €9 billion to be invested in defence through EU initiatives until 2027. Yet member states will rightly ask “how large is large?”. Some inspiration may be drawn from Germany, where a one-off [“Special Fund”](#) of €100 billion was created for capability purchases. A multi-billion EDIP would appear to be the right level of ambition then, but some analysts have even gone as far as to call for a [€400 billion](#) fund for EU defence investments. These are not necessarily outlandish goals. One consultancy, for example, estimates that an additional [€150 billion](#) could be added to European defence spending by 2026.

What money cannot buy

Let us assume for a moment that the member states do agree to a multi-billion EDIP. Such a step would most likely be preceded by questions about how to invest it effectively into joint capability projects. As the early experiences of the German “Special Fund” indicate, high inflation eats away at headline figures and it is not clear whether procurement agencies can digest additional funds or invest them effectively in a short span of time. Another issue for the EDIP to contend with, as Germany’s own experience again shows, is whether pooled investments should address past capability gaps, future weapons needs or a little of both. Indeed, one [study](#) underlines how increased defence investment would first need to help reverse a long period of decline in European defence, where production runs were neglected, shortened or cut completely. For example, Germany reportedly needs to invest at least [€20 billion](#) by

2024 on basic ammunition, which would be a rather large slice of the €100 billion “Special Fund”.

Joint defence procurement through a multi-billion EDIP would also animate political dynamics between member states. Some would fear losing out to large member states and industrial players, not least because Europe’s systems integrators for capabilities are located in a handful of member states. Seeking some balance between major programmes and the needs of small and medium-sized enterprises would be necessary before member states agree to the EDIP. Inevitably, some

exert a higher degree of influence over the types of military capabilities that should be developed under the EDIP. Yet this story is more complex than first thought. It may, for example, not be lost on some that the EDIP could be viewed as some form of future “[EU Defence Budget](#)”. However, the off-budget EPF has become an arguably more sizeable EU tool for pooling financial resources for defence (i.e. the EPF stands at €12 billion until 2027 compared to about €9 billion under the EDF, ASAP and EDIRPA combined). The EPF and EDIP are different in scope and nature, with the Facility having less of an insistence on the purchasing of

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member states would want to ensure that the EDIP can support existing industrial partnerships with the United States (US) and others. Although an “open” EDIP could create difficulties with regard to technology control and the competitiveness of European producers, it might also have the effect of challenging the regulation underpinning the EDF, which is overwhelmingly geared to supporting EU rather than non-EU producers.

Further still, any EDIP could provoke political and industrial dynamics on defence planning at the national level, especially in terms of inter-service rivalry for investment (i.e. whether one invests in aircraft rather than tanks) and between industries. Some may point to existing projects such as the Future Combat Aircraft System (FCAS) and Main Combat Ground System (MCGS) to highlight the inherent difficulties of multinational defence industrial cooperation. Indeed, while both the FCAS and MCGS are in their infancy as programmes there are already concerns about how technology transfers, export controls and technology control are to be handled in future European multinational projects.

There would be concerns too in some member states that the European Commission would

EU-made equipment and little to no role for the European Commission. Leaning more heavily into the EPF than the EDIP could be used as a political tactic to tame the Commission’s impulses for what it calls ‘[a joint EU strategic defence programming and procurement](#)’ structure in the form of a ‘[central purchasing body](#)’.

Any such plan, however, is likely to run into strong resistance from certain EU member states and firms, which are more favourable to the status quo where NATO takes a major role in defence planning. Some member states would certainly view calls for joint EU defence procurement and planning as damaging to their ability to procure non-EU made weapons systems. In essence, they would worry that the EDIP could lead to criticism from the US and potentially damage their existing industrial links with Washington. As one [recent study](#) put it, the war on Ukraine has only solidified the US’ competitiveness in Europe’s defence market: weapons sales from EU sources account for only 22% of European defence acquisitions since Russia’s war on Ukraine began. This demonstrates that increased defence investment in Europe is not necessarily conducive to developing a genuine European Defence Technological and Industrial Base.

The truth of the matter is, however, that neither the EU nor NATO is able to simultaneously marry strategic planning on investment, capability prioritisation and military requirements. We should also not forget that a majority of European governments at Versailles in March 2022 called for ‘[further incentives to stimulate Member States’ collaborative investments in joint projects and joint procurement of defence capabilities](#)’. It is interesting and telling that the EU should be chosen as the location for these efforts. Yet, the practicalities of joint EU defence planning and procurement have not been made clear thus far. For example, is the plan to somehow network national planning and procurement agencies for a joint EU approach, or is the intention to create a centralised bureaucratic structure to handle joint EU defence projects. If the latter is the case, how would such an agency differ from the Commission’s DG DEFIS or the European Defence Agency? How would it be financed and staffed? France’s Direction générale de l’armement alone employs over [10,000](#) staff.

A European imperative for “joint-ness”?

There is, of course, a certain risk to linking the idea of joint EU defence procurement and defence planning, not least because several EU member states will veto any multi-billion EDIP if it is perceived to further strengthen the Commission’s role in defence. In fact, many member states could sign-off on a multi-billion EDIP only after assurances have been received that no dedicated procurement or planning agency would be created. For this reason, the Commission may have quietly toned down the idea for a dedicated EU defence planning structure for the time-being. In any case, EU defence planning already exists to some degree – albeit incoherently – when one considers capability development tools such as Permanent Structured Cooperation, the Coordinated Annual Review on Defence, the EDF and the Capability Development Plan. There is still much work to be done on making sure the existing policy framework works effectively. A start would be to finally get serious about capability prioritisation,

rather than to use tools such as the EDF and PESCO to invest in defence projects that please all parties involved.

Yet more than capability prioritisation is required and the recently announced [European Defence Industrial Strategy](#) could provide further guidance on how to link capability and technology needs with industrial capacity. One of the other major issues that such a Strategy could tackle is where will the demand come from for all the joint defence projects the EU intends to develop. Will domestic demand in the EU be enough to support major defence projects under the EDF and EDIP or will new markets need to be created abroad? If new markets are needed to create economies of scale, what political strategy will accompany EU weapons exports? Will the new Defence Industrial Strategy make a compelling enough strategic and business case for joint defence procurement beyond the usual platitudes of needing to overcome fragmentation, duplication and escalating costs? If the Strategy can provide guidance on such questions and more, then joint EU defence planning may eventually occur organically as the EDF and EDIP come of age.

The short-term paradox that requires solving, however, is that more money for European defence may actually give rise to less cooperation. Yet here governments should be mindful of the present geopolitical context and its effect on defence industrial politics in Europe. As [one study](#) surmises, ‘much closer defense planning and industrial cooperation between NATO and the EU [is required] to ensure that investments are tailored around concrete operational needs and are being sufficiently and appropriately channeled toward critical defense capabilities’. Indeed, if Europeans are to take on more collective responsibility for their own defence, especially as the US focuses more on China, then potentially radical forms of defence cooperation – or even integration – may be required. Yet for this to take hold, governments need to be persuaded of the geopolitical imperatives for joint defence cooperation and not just the economic benefits.



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