

THE EUROPEAN DEFENCE FUND: THE OPAQUE USE OF PUBLIC FUNDS

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EXECUTIVE SUMMARY

Already in 2010, ASD (the AeroSpace and Defence Industries Association of Europe, the most important lobby organisation for the European arms industry), asked for significant EU funding for research. The discussion during the following years led to the creation, in 2015, of the Group of Personalities on Defence Research. Out of the 16 members of the Group, six represented arms companies, one represented ASD and two represented research institutes involved in arms research programs. The final Group report, published in February 2016, was the basis for the eventual EC proposal to establish the EDF.

The final Report of the Group of Personalities was strongly influenced by the main arms producers, with specific sentences that, coming from the lobby of the arms producers, were included in the Calls, were afterwards used in the proposals of the consortia, and can be found in the public descriptions of the funded projects.

The **Preparatory Action for Defence Research (PADR 2017–2019)** with a budget of €90 million for defence research, and the **European Defence Industrial Development Programme (EDIDP 2019–2020)** with a budget of €500 million for funding the development of defence equipment and technology were the two precursor programmes of EDF. Many of the companies and research institutes that were among the largest beneficiaries of PADR and EDIDP funding were also in the top 15 recipients of security research funding.

The first EDF work programme was launched in 2021. The Call was published during the last quarter of that year, and on 25 January 2023 the list of approved projects was published. Of the 142 projects submitted, 60 were selected. The budget allocated to them amounts to 1,166 million euros, including 322 million for military research projects and 845 million for military development projects.

EDF subsidies are intended for research and development projects. The results of these projects will materialize in military prototypes and technology issued by the defence industries. However, as stipulated in the EDF regulations, the Member States themselves will have to purchase these results. Therefore, **the European defence industry is being funded by the EDF program while it has already a guarantee regarding future sales and customers.**

In this Report we discuss **transparency issues during the Mid-Term review of the EDF projects funded under the 2021 Call of the European Commission (EC).** We focus on a representative sample of 6 projects to confirm the difficulties in obtaining a clear picture of their precise goals, developments and ethical guarantees. The selection of the proposed specific test sample of these 6 projects is based on two features: (1) They form a representative sub-group of all projects from a technological perspective; and (2) They account for nearly half of the total investment by the European Union in this call.

The five main beneficiaries of the 2021 call (Leonardo, Thales, Airbus, Saab and Indra) are receiving over 30% of the funding. The companies who lobbied the hardest for the establishment of the EDF and that had previously influenced the conclusions of the Group of Personalities, clearly profit from a fund that was founded on their advisory report.

The Mid-Term review of the projects under EDF 2021 Call has shown that **the problematic aspects already detected in the initial PADR and EDIDP Calls have not improved, remaining as questionable and controversial as they were, and even tending to worsen.**

We have observed a **lack of transparency on the application of EU ethical guidelines during EDF projects reviewing and funds assignment.** The decision-making process during EDF projects reviewing and funds assignment is extremely opaque and too heavily influenced by the arms industry lobbyists. **Civil society is not being provided with sufficient information and there is no evidence showing that these ethical controls are being carried out in line with international obligations.** In fact, several MEPs and the European ombudsman herself have already expressed regular concerns about the lack of transparency on the ethical checks under the Defence Fund and its precursor programmes PADR and EDIDP.

There is real concern on an excessive reliance on self-assessments by the applicants to EDF project Calls. EU's legal and ethical risk assessment procedures mainly rely on self-assessments by applicants (mainly corporations) for EU funding. And these assessments are basically a box-ticking exercise.

There is **no transparency on the exclusion of companies on the base of provisions of the Financial Regulation.** The fact that for the EDF 2021 call no companies were excluded makes it highly questionable that this is done in a serious and strict way.

There exists an evident and overriding public interest in transparency, because the European Defence Fund is about developing or enhancing weaponry, including disruptive technologies that could radically change the way to conduct war. This is **an issue of extreme public interest. The Commission should not allow this lack of transparency in technological EDF systems that will contribute to aggravating violence, destruction, and the climate and environmental crisis.**

A significant number of projects explicitly mention **the use of AI**, while most of the others will probably use these techniques in specific subsystems. In each of the projects it would be **essential to know if the designed systems will be able to react autonomously to unexpected situations, in which cases they will be able to do so, and of what kind this reaction will be.** The deployment of unmanned systems using AI technologies poses obvious risks.

Being compliant with the EU Ethics Guidelines for Trustworthy AI is unfortunately insufficient from an ethical perspective, as these systems are not

completely reliable, not reproducible, and not explainable, also leading to accountability difficulties in case of civilian victims. **All AI systems in EDF projects should therefore be subject to strict scrutiny by recognized independent non-military experts and by civilian ethics committees.**

Moreover, one of the main goals of the EDF is the **increase of arms exports to non-EU- countries. However, an increase in exports can easily contribute to war, violence, repression, human rights violations, climate change and poverty around the world.** Most of the main beneficiaries of the funding are major providers of arms to countries at war, repressive regimes and human rights abusers.

Europe could consider a radical paradigm shift, moving from policies dictated by the large arms and transnational lobbies to policies of peace and global justice. With disarmament and demilitarisation policies to transfer funds to ambitious programmes designed by and for the people, prioritising biosphere security and environmental peace. Europe has a unique opportunity: The opportunity to implement and promote **a new framework for coexistence based on peaceful and non-militarised security.** This includes **offering a new human geopolitics based on global collaboration** to address the real present cross-border challenges which humanity is facing.



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