



Council of the
European Union

Brussels, 28 July 2014

12269/14

LIMITE

COPS 202
PESC 821
CSDP/PSDC 465
POLMIL 75
CIVCOM 151
RELEX 652

NOTE

From: Politico-Military Group
To: Political and Security Committee

Subject: PMG Recommendations on the Note from the High Representative on options for improvement of the financing of civilian and military missions and operations

Delegations will find attached the PMG Recommendations on the Note from the High Representative on options for improvement of the financing of civilian and military missions and operations, as finalised by the Politico-Military Group on 28 July 2014.

PMG RECOMMENDATIONS ON THE NOTE FROM THE HIGH REPRESENTATIVE ON OPTIONS FOR IMPROVEMENT OF THE FINANCING OF CIVILIAN AND MILITARY MISSIONS AND OPERATIONS

INTRODUCTION

1. On 26 May, the PSC tasked the PMG to provide recommendations on the HR note on options for improvement of the financing of civilian and military missions and operations (doc. 9589/14, dated 7 May 2014).

CONSIDERATIONS

Introduction

2. The PMG welcomes the HR note as a timely follow-up to the tasking by the European Council in December 2013. It welcomes the broad perspective followed in this note, thereby for the first time providing an overview of the financial aspects in EU crisis management and facilitating a comprehensive discussion, in which further proposals may also be considered. It notes that preparations for the Athena Review have already started and calls for close coordination between the EU actors involved.
3. The PMG recalls in particular the Conclusions of the European Council of December 2013, the CSDP Council conclusions of November as well as the Council conclusions on the EU's Comprehensive Approach. It notes that the HR note on financing cuts across various work strands, which should also be pursued on their own merits.

General remarks

4. The PMG welcomes that the HR note is set within the framework of the December 2013 European Council conclusions and takes account of CSDP experiences, challenges and opportunities as well as the question of availability of financial resources. It reiterates that political will and solidarity are essential for any EU engagement. In light of this, the PMG underlines that the improvement of the financing of CSDP missions and operations aims at:

- enhancing the effectiveness and efficiency of EU engagement in conflict prevention and crisis management, in particular in line with the aims of the EU’s Comprehensive Approach;
 - making best use of scarce resources at national and EU levels.
5. Regarding the availability of financial resources, the PMG recalls that the Council, in its conclusions on CSDP from November 2013, underlined the importance of addressing the need to sustain sufficient expenditures related to security and defence. It considers that recent developments in the immediate neighbourhood and beyond affecting the security of Europe have underscored this.
6. The PMG underlines that the merits and possibilities of various proposals raised need to be further discussed and examined. To structure the further debate, the PMG offers below some initial elements and assessment on clusters of issues.

Military Operations

7. The PMG looks forward to a thorough Athena Review in the second semester of 2014, including within the framework of the December 2013 Council conclusions and taking into account CSDP experiences.
8. The PMG has discussed the proposal in the HR note to extend the scope of the common costs foreseen in the Athena mechanism, notably in relation to the recurrent problems of timely and adequate force generation. While no consensus has been found on the proposal at this stage, the following can be reported as the main elements of discussion:
- The PMG stresses that there is no substitute for political will among Member States to supply sufficient capabilities to launch a new operation timely and sustain it effectively. National decisions on whether or not to participate in a CSDP military operation may be influenced by many factors (political, military, financial, etc.). In the current financial context, financial constraints have been increasingly of influence in some cases, also given the main principle of ‘cost lie where they fall’. Financial incentives alone, however, would not be a sufficient solution for improved

force generation and sustainment of CSDP operations. It also notes that common funding draws on national budgets.

- The PMG underlines the importance of solidarity and burden-sharing with those participating in CSDP missions and operations, while noting that this not limited to the arrangements for sharing common costs, as appropriate, but also includes sharing political and security risks and providing ad hoc support as needed.
- The PMG notes furthermore that the Athena mechanism contains flexibility through Article 15(7) of its Council Decision to decide on a case by case basis that, in view of particular circumstances, certain incremental costs be regarded as common costs for one given operation during its active phase. It notes that this provision has been used to cover a wide variety of circumstances, whilst respecting the non-precedent setting nature in which the Athena Special Committee has accommodated such requests.
- The PMG notes that especially enablers such as medical support, engineers, local and strategic transport are among the recurring gaps in force generation. It further notes that these capabilities may need further specifications in terms of Annex III of the Athena mechanism.
- The PMG notes that the PSC should be kept informed of all relevant elements linked to the timely launching of a mandated CSDP operation, including the financial aspects.

9. While focus remains on Member States' contributions, the PMG acknowledges the contributions of third state partners in CSDP operations and notes that financially facilitating the deployment of third state partners in operations when the need arises should continue to be examined on a case-by-case basis within the existing provisions of the Athena mechanism.
10. Within the specific context of the EU Battlegroups (EU BGs), the PMG supports the current strategic transport solution for EU BG operations. The PMG can report the following as the main elements of discussion, while noting that no consensus was reached on any of these elements:

- The proposal to introduce the Declaration on sharing the costs of strategic transport for EU BG operations in the Athena mechanism should be considered;
 - Any extension of the temporary Declaration should take into account the need to provide sufficient predictability for Member States providing EU BGs;
 - Further proposals have been made to also explore the eligibility of common funding for the sustainment and re-deployment of EU BGs;
 - It is important for Member States participating in an EU BG to give due consideration to the financial aspects of a possible deployment in their preparation phase.
11. The PMG underscores that operations should use cost effective solutions as the underlying principle. It stresses that outsourcing should be used only as a last resort, when force generation has systematically failed. It notes the useful activities of the European Defence Agency regarding contractor support to ongoing operations aiming at saving money and effort. The PMG notes that improving the financial management of CSDP operations, in particular improved budgeting processes starting from the cost estimates, should also be taken forward.

Possible other financial measures

12. The PMG discussed the proposal regarding “Joint Financing”, as a complementary option for willing Member States to jointly and voluntarily fund costs related to the operation. The PMG notes that this option should not be further pursued at this stage, as the current legal set-up allows in extremis for voluntary contributions by Member States to be managed by Athena.
13. The PMG notes the explanations given on Union trust funds and the possibility to set up other trust funds outside the EU Financial Regulation, which should be further explored, in particular by RELEX counsellors.
14. The PMG notes with interest the proposal to consider more systematically the use of project cells within military missions and operations, to enable EU, Member States and third states to

provide project support in line with the mandate of the mission or operation, subject to PSC approval. This should be systematically considered in the planning process.

Synergies with other financial instruments

15. The PMG has discussed the proposals to enhance civil/military synergies between different civilian missions and military operations, notably those deployed in the same geographical area. The PMG notes that this may concern, for example:
- the shared use of a compound to locate both the mission/force headquarters of a civilian mission and a military operation deployed in the same area;
 - the use of resources from a military operation to provide services to a civilian mission deployed in the same area, or vice versa, for example regarding force protection, medical support, or transport, as well as pooling of resources in the area of IT, intelligence and satellite communication, including the question of possible compensation;
 - force protection for a civilian mission, including if there is no military operation deployed in the same area.

The PMG considers it useful to explore these possible synergies and their financial aspects and impact in a fictitious case study, in particular considering how to accommodate for the different sources of funding (Athena, CFSP), and their respective modalities, to be used in a coordinated way. It emphasises that this case study should also take into account the operational (dis)advantages, relevant modalities and politico-military ramifications, including the implications for a unified chain of command.

16. The PMG agrees with the HR note that further synergies with EU cooperation instruments should be sought, in line with the EU Comprehensive Approach to External Conflict and Crises. It also supports that Article 41(2) TEU should not be understood as a complete interdiction to provide EU support to the military in host countries, including equipment, taking into account applicable criteria. It takes note of the proposals in the HR note to examine the possibilities to fund support to the military, with all relevant restrictions in

accordance with international law, such as the Arms Trade Treaty, and national arms exports regulations of EU Member States, and depending on the scope of the action and its primary (development or security) objective. In light of this, the PMG also notes the ongoing discussions in the OECD/DAC and in the context of the post-2015 framework on development financing, including on ODA.

Other issues

17. The PMG recalls the Council conclusions on CSDP from November 2013 regarding Article 44 TEU and would recommend that the EEAS soon provides elements to enable a political discussion.

RECOMMENDATIONS

18. The PMG recommends the PSC to:
 - take account of the Considerations above, with a view to Ministerial discussions, also in the context of the follow-up to the December 2013 European Council Conclusions, and to remain informed of the upcoming Athena Review;
 - agree to consider more systematically the use of project cells in CSDP missions and operations;
 - revert to the financing options for capacity building and equipment support to security forces including armed forces in a host country or region within the context of the ‘train and equip’ paper;
 - invite the EEAS to provide input for a political discussion on the appropriate use of Treaty articles in the field of rapid response, including Article 44 TEU;
 - agree to explore the financial aspects of possible civil/military synergies in CSDP in a fictitious case-study.