

Harness the economics of preparedness by investing together upfront

Safer Together

Strengthening Europe's Civilian and Military Preparedness and Readiness by Sauli Niinistö

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Building block #9

What is the challenge?

In response to the economic consequences of the COVID-19 pandemic, exacerbated by the economic fall-out of Russia's aggression against Ukraine, **the EU has devoted major resources to support Member States' recovery** and make their economies and societies more resilient and better prepared for the future.

- Despite the drastic deterioration of Europe's security situation following Russia's full-scale invasion of Ukraine in 2022, there was only a **small increase in security and defence-related funds within the EU budget**. The current level of funds does not match the scale of additional investment needed to meet the demands of better preparedness for our own deterrence, as well as to support Ukraine in the long term.

“The logic of investing more, better and together as Europeans in preparedness is the most effective way to address the increased and multifaceted risks we already face now and need to anticipate in the future.”

- The EU's preparedness and readiness require upfront and consistent long-term investment. A well-prepared Europe will be more resilient to crises, better able to prevent them and faster in recovering from them.
- The daunting scale of the overall investment needs means that Europe should **harness the economic and strategic potential of these investments** primarily to the benefit of the Union's economy and citizens – including their comprehensive preparedness. This creates the potential to join up the EU's competitiveness and preparedness investments.
- Seen through a preparedness lens, the overall structure of the EU's budget still remains too fragmented in some areas, limiting our ability to optimise the use of our funds and to invest in cross-sectoral priorities.
- Shocks, disruptions and crises of Union-wide scale and impact require a level of **coherent investment and oversight that need to be enshrined in an EU framework**. To address these challenges and make the most efficient use of their budgetary resources, the EU and Member States should approach the design of the next EU budget from a preparedness logic, embracing 'preparedness-by-design' as a guiding principle cutting across different dimensions.
- Preparedness for the high-risk context of the coming years and decades requires scaling up our joint investment across the board to a new level

- Preparedness comes at a cost – but its economic rationale is strong. It reduces risks, can prevent a crisis from erupting, mitigates its consequences and limits damage, and enables recovery to kick in much faster. If a serious threat does materialise, **the cost of non-preparedness may become astronomically higher than the investment required upfront.** In view of ever more frequent weather extremes and global trade disruptions, the cost of inaction is set to increase even further.
- **Disjointed national efforts that fail to seize on economies of scale are no longer tenable** from a European perspective. Instead, the economic

rationale of preparing together at the EU level is exemplified by the joint purchases and pooling and sharing of resources that are needed in disasters, but which do not make sense for all Member States to acquire nationally.

- **Addressing fragmentation in the EU budget will be important to ensure sufficient built-in flexibility** to respond to unforeseen events and emergencies. At the same time, we need to ensure consistency with our long-term policy objectives, even when addressing short term urgencies and crisis resilience.

Following Russia's war of aggression against Ukraine, the EU's energy import bill reached EUR 604 billion in 2022, after an historic low of EUR 163 billion in 2020. Energy price increases in 2022 disproportionately affected the most vulnerable, low-income households, who spent an estimated 12% of their total budget on energy in 2022, up from 7.8% in 2020.

What is the objective?

- Preparedness for the high-risk context of the coming years and decades **requires scaling up our joint investment across the board to a new level.**
- Robustly investing in preparedness at the EU level means ensuring that our efforts are effective, coherent, cost-efficient, and mutually reinforcing.
- The daunting scale of the overall investment needs means that Europe should harness the economic and strategic potential of these investments primarily to the benefit of the Union's economy and citizens – including their comprehensive preparedness.

What actions does the Report recommend?

Integrate preparedness by design in the next EU budget:

- ✓ With a view to the preparation of and negotiations of the next MFF and taking into account the increasing risks in the EU's security environment, preparedness should be integrated by design in the EU budget.
- ✓ Ensure more built-in flexibility in the next MFF to allow for a faster and scalable response to unforeseen needs that arise in the wake of emergencies and crises.
- ✓ Reinforce the long-term 'preparedness impact' of EU investment and crisis recovery spending. All major structural and regional investment supported by the EU budget – in particular the EU's Cohesion Funds – should have security risk and disaster-proofing, climate-resilience and crisis-preparedness components further mainstreamed by design.
- ✓ Adapt the EU's budgetary framework to better support multi-year funding and investment and secure the long-term financing of key preparedness investment. The EU and Member States need to make sure to offer our public and private partners the necessary investment horizon and secure a long-term commitment to preparedness initiatives.
- ✓ Ring-fence funding for preparedness action. To ensure that answering the needs of an immediate crisis does not hamper our long-term efforts, response and recovery costs must not be detrimental to further prevention and preparedness action.
- ✓ Strengthen the dual-use potential of our spending, fully exploiting regulatory margins to make sure we maximise funding benefits and added value for our civilian and military readiness.

Develop a European Preparedness and Readiness Investment Framework to support the EU's transition to a fully prepared Union:

- ✓ As part of this investment framework to be envisioned in the next budgetary cycle, the EU should bring together relevant instruments in a coherent package with funding levels commensurate to the scale and complexity of the evolving challenges we face.
- ✓ In line with the notion of integrating preparedness by design, all relevant instruments across sectors should earmark a certain amount for preparedness action in their respective fields – so that, for example, at least 15% of the overall EU budget contributes to the EU's security and crisis preparedness.
- ✓ The EU and Member States should consider setting up two dedicated facilities: a Defending Europe Facility (DEF) and a Securing Europe Facility (SEF), combining relevant funding streams and avoiding fragmented, siloed instruments.
- ✓ The Defending Europe Facility should encompass relevant defence industrial and other defence-related or dual-use instruments.
- ✓ The Securing Europe Facility should combine all instruments and programmes linked to civil security (e.g. law enforcement and border management), civil protection, and other emergency response services, and related critical infrastructures.
- ✓ The creation of two large-scale facilities with relevant windows for different activities should facilitate the pooling of resources, enabling the EU to better leverage its funds at scale for common and overarching priorities, simplifying public and private partners' access to EU-funded programmes, and contributing to the EU's competitiveness by boosting market consolidation.

- ✓ As part of this comprehensive European Preparedness and Readiness Investment Framework, the EU and Member States should also explore further innovative ways to mobilise the necessary funding for preparedness:
- ✓ Establish an Investment Guarantee Programme, e.g. on the model of InvestEU, to trigger private sector investment in Europe's defence technological and industrial base, or disaster and crisis-resilient infrastructure through public seed money.
- ✓ Work with the European Investment Bank to expand funding possibilities for the defence sector beyond dual-use.
- ✓ Leverage private capital for preparedness action by providing investment opportunities for EU citizens and institutional investors.