Cooperative Financial Mechanism (CFM) ready for signing

Brussels - 26 September, 2019



**The Cooperative Financial Mechanism (CFM), an innovative programme initiated by EDA with a view to facilitating the financing of collaborative defence capability and research projects – for instance if unsynchronised defence budgets in participating Member States hinder or impede the launch of such projects – is now in the starting blocks. The final version of the CFM’s Programme Arrangement (PA), negotiated over the past two years, has been sent out this week to Member States for signing.**

Eleven Member States (Belgium, Bulgaria, Cyprus, France, Greece, Hungary, Lithuania, the Netherlands, Portugal, Slovenia, Spain) have already declared their firm willingness to sign and to join the CFM in the near future. More countries might join the programme in the coming weeks. The CFM will enter into force when the last country having declared its intention to join will have signed the PA.

Developed as a so-called ‘Category A’ programme of the Agency, the CFM is entirely voluntary. Member States can freely decide if they wish to participate, contribute and support projects.

The CFM will be structured in two pillars:

* the first pillar foresees the **European Investment Bank (EIB)** as the sole lender through the conclusion of bilateral framework loan agreements between EIB and the interested Member State. To obtain the EIB’s financial support, projects submitted must respect the eligibility requirements set by the Bank lending policy, while the volume of the lending facility and the interest rate applied are negotiated on a case-by-case basis by the EIB and the interested MS and set out under each individual Framework Loan Agreement. The EIB involvement is supported and facilitated by the EDA which will act as the ‘Facility Agent’ on behalf of EIB under its instructions and responsibility, serving as a primary point of contact between the EIB and the beneficiary country in the technical assessment of the feasibility of each project;
* the second pillar provides for a **State-to-State support facility**, structured as a system of reimbursable advances and deferred payments. It can be used to support any defence related project, in full compliance with national and European law. The facility is structured as a set of individual bank accounts which are opened and managed by the EDA under the control of the CFM participating Member States. Within that pillar, any CFM Member can submit a request for financial support to the CFM programme. While the Programme Arrangement provides the overarching legal framework setting the general requirements and conditions for State-to-State support, the specific conditions of each advance will be set out in separate agreements to be concluded between the supporting CFM Member State, the beneficiary country and the EDA, as facilitator.  
  The administrative and operational costs of the CFM will be covered by existing EDA resources meaning CFM members will not have to bear additional costs for the management of the mechanism. Notwithstanding any financial support granted under the CFM, projects or programmes subject to such financial support will remain at all times governed and managed according to their own rules.