

European defence industrial development programme

2017/0125(COD) - 26/02/2018 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Industry, Research and Energy adopted the report by Françoise GROSSETÈTE (EPP, FR) on the proposal for a regulation of the European Parliament and of the Council establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovative capacity of the EU defence industry.

The Committee on Foreign Affairs and the Committee on Budgets, exercising their prerogatives as associated committees in accordance with [Article 54 of the Rules of Procedure](#), also gave their opinions on the report.

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission proposal as follows.

Objectives: Members stated that the programme shall aim to promote **European strategic autonomy** by supporting actions carried out in the Union during their development phase. The programme shall also:

- support and leverage **cooperation** between Member States, including cross-border cooperation, between undertakings, including SMEs and mid-sized enterprises employing up to 3 000 people, in the development of technologies or products that are in line with defence capability priorities commonly agreed by Member States within the Union, particularly in the context of the Capability Development Plan of the Common Security and Defence Policy
- support the **competitiveness** of the Union defence industry in the domestic and global markets, including through consolidation where appropriate;
- promote the **standardisation** and interoperability of military systems to achieve economies of scale.

Budget: the amount for the implementation of the Programme for the period 2019-2020 is set at EUR 500 million in current prices, to be drawn exclusively from the unallocated margins under the 2014-2020 multiannual financial framework (MFF) ceilings and/or through the mobilisation of the relevant MFF special instruments.

Ineligible actions: the programme may not support actions related to: (i) products related to weapons of mass destruction, related warhead technologies or banned weapons and ammunition; (ii) weapons that do not comply with international humanitarian law; (iii) anti-personal landmines; (iv) incendiary weapons and (v) fully autonomous weapons capable of striking with the minimum of human control.

Eligible entities: beneficiaries and their subcontractors shall be **public or private undertakings established in the Union that are not effectively controlled by a third country** or an entity of a third country, whether directly or indirectly.

Other entities established in the EU and not effectively controlled by Member States or their nationals may be eligible if, for the purpose of an action funded under the Programme, the necessary **mechanisms are in place to ensure that the effective control over the undertaking by a third country** or a third country entity is removed and their access to sensitive information relating to the action is prevented.

All actions under the Programme involve entities from **at least three Member States**. The use of a system of general transfer licenses for the purposes of the Programme would significantly reduce the

administrative overhead arising from transfers among the participants. The Member States shall therefore publish **general transfer licenses** relating to this Programme.

Award criteria for funding: these shall include:

- **industrial performance** and capacity to show significant advantages over existing products or technologies;
- contribution to the competitiveness and growth of defence undertakings throughout the Union;
- contribution to the creation of new **cross-border cooperation** between undertakings;
- the proportion of the overall budget of the action to be allocated to the **participation of SMEs** established in the European Union, either as members of the consortium, subcontractors or as other undertakings in the supply chain.

Important role for SMEs: Members considered it important to foster cross-border cooperation, especially for SMEs that lack incentives to cooperate. They therefore proposed to make an additional effort towards SMEs by reserving for them a dedicated category of projects and ensuring that **at least 15% of the overall budget** shall be allocated to actions promoting the cross-border integration of SMEs and mid-caps into value chains.

Lastly, Members called for the European Parliament to have observer status in the committee of Member States.