

European defence industrial development programme

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The European Parliament adopted a legislative resolution 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 European Parliament's position, adopted at first reading under the ordinary legislative procedure, amended the Commission proposal as follows:

Objectives: the Regulation shall establish a **European defence industrial development programme** for Union action covering the period from 1 January 2019 to 31 December 2020. Its objectives shall be to:

- foster the competitiveness, efficiency and innovation capacity of the defence industry throughout the Union, which contributes to the Union's strategic autonomy, by supporting actions in their development phase;
- support and leverage cooperation, including across borders, between undertakings, including SMEs and mid-caps, throughout the Union, and collaboration between Member States, in the development of defence products or technologies, while strengthening and improving the agility of defence supply and value chains, and fostering the standardisation of defence systems and their interoperability;
- **foster better exploitation of the results of defence research** and contribute to development after the research phase, thereby supporting the competitiveness of the European defence industry on the internal market and the global marketplace.

Eligible actions: actions to improve existing defence products or technologies shall only be eligible where the **pre-existing information** needed to carry out the actions in question is not subject to a restriction limiting the ability to carry out the actions.

An eligible action shall relate to one or more of the following: (i) **studies**, such as feasibility studies, and other accompanying measures; (ii) the design of a defence product, tangible or intangible component or technology as well as the technical specifications on which such design has been developed, including partial tests for risk reduction in an industrial or representative environment; (iii) the **system prototyping** of a defence product, tangible or intangible component or technology; (iv) the **qualification** of a defence product, tangible or intangible component or technology; (v) the certification of a defence product, tangible or intangible component or technology; (vi) the **development of technologies** or assets increasing efficiency across the life cycle of defence products and technologies.

Eligible entities: all actions under the programme shall be carried out by undertakings cooperating within a consortium of at least **3 eligible entities** which are established in at least **3 different Member States**.

With regard to actions such as the prototyping of a product or the development of defence technologies, the consortium shall provide proof of their contribution to the competitiveness of the European defence industry by demonstrating that at least 2 Member States intend to **procure the final product** or to use the technology in a coordinated way, including through joint procurement where applicable.

To be eligible for funding, beneficiaries and subcontractors participating in the action shall be public or private undertakings established in the Union and shall **not be subject to control by a third country** or by a third country entity.

In certain circumstances, it shall be possible to **derogate from the principle** that beneficiaries and subcontractors involved in an action are not subject to control by a third country or by a third country entity. In that context, undertakings established in the Union that are controlled by a third country or by a third country entity shall be able to be eligible for funding provided that relevant, strict conditions relating to the security and defence interests of the Union and its Member States are fulfilled.

Cooperation between beneficiaries and subcontractors involved in the action and undertakings which are established in a third country or which are controlled by a third country or by a third country entity shall also be subject to relevant conditions relating to the security and defence interests of the Union and its Member States. In that context, there shall be **no unauthorised access** by a third country or a third country entity to classified information relating to the execution of the action.

Award criteria: these shall include:

- **contribution to excellence** in particular by showing that the proposed action presents significant advantages over existing defence products or technologies;
- **contribution to innovation**, in particular by showing that the proposed action includes ground-breaking or novel concepts and approaches, new promising future technological improvements or the application of technologies or concepts previously not applied in the defence sector;
- **contribution to the competitiveness and growth of defence** undertakings throughout the Union, in particular by creating new market opportunities;
- **contribution to the industrial autonomy of the European defence industry** and to the security and defence interests of the Union by enhancing defence products or technologies in line with defence capability priorities agreed by Member States within the framework of the Common Foreign and Security Policy, particularly in the context of the Capability Development Plan;
- **the proportion of the overall budget of the action to be allocated to the participation of SMEs** established in the Union bringing industrial or technological added value: an action may benefit from an increased financing rate where at least 10 % of the total eligible cost of the action is allocated to SMEs established in the Union.

According to the amended text, the work programme shall enable open and transparent cross-border access and participation of SMEs. **At least 10% of the overall budget** shall benefit such actions, allowing SMEs to be included in the value chains of the actions. A category of projects should be specifically dedicated to SMEs.

Budget and financing: the financial envelope for the period from 1 January 2019 to 31 December 2020 shall be **EUR 500 million** in current prices. The annual appropriations shall be authorised by the European Parliament and the Council within the limits of the multiannual financial framework.

The Union's financial assistance may be provided in particular through grants and, in exceptional cases, through public procurement.

The European Parliament and the Council agreed that the financing of the European defence industrial development programmes shall be covered in the years 2019-2020 as follows: (i) EUR 200 million from the unallocated margin; (ii) EUR 116.1 million from CEF; (iii) EUR 3.9 million from Egnos; (iv) EUR 104.1 million from Galileo; (v) EUR 12 million from Copernicus; (vi) EUR 63.9 million from ITER.