

Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
European defence industrial development programme Repealed by 2018/0254(COD)	
Subject 3.30.07 Cybersecurity, cyberspace policy 3.40.09 Defence and arms industry 6.10.02 Common security and defence policy (CSDP); WEU, NATO	
Legislative priorities Joint Declaration 2018-19	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ITRE Industry, Research and Energy	 GROSSETÊTE Françoise	06/07/2017
		Shadow rapporteur	
		 POCHE Miroslav	
		 KRASNODEBSKI Zdzisław	
		 RIQUET Dominique	
		 BÜTIKOFER Reinhard	
		 CASTALDO Fabio Massimo	
		 LETARD-LECHEVALIER Christelle	
	Committee for opinion AFET Foreign Affairs (Associated committee)	Rapporteur for opinion	Appointed 25/09/2017
		 PAȘCU Ioan Mircea	
	BUDG Budgets (Associated committee)		14/07/2017
		 GONZÁLEZ PONS Esteban	



Council of the European Union	Council configuration General Affairs	Meeting 3588	Date 12/12/2017
European Commission	Commission DG Internal Market, Industry, Entrepreneurship and SMEs	Commissioner BIEŃKOWSKA Elżbieta	
European Economic and Social Committee			

Key events

07/06/2017	Legislative proposal published	COM(2017)0294	Summary
15/06/2017	Committee referral announced in Parliament, 1st reading		
05/10/2017	Referral to associated committees announced in Parliament		
21/02/2018	Vote in committee, 1st reading		
21/02/2018	Committee decision to open interinstitutional negotiations with report adopted in committee		
26/02/2018	Committee report tabled for plenary, 1st reading	A8-0037/2018	Summary
28/02/2018	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71)		
13/03/2018	Results of vote in Parliament		
13/03/2018	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71 - vote)		
19/06/2018	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE623.784 GEDA/A(2018)004778	
02/07/2018	Debate in Parliament		
03/07/2018	Decision by Parliament, 1st reading	T8-0275/2018	Summary
18/07/2018	Act adopted by Council after Parliament's 1st reading		
18/07/2018	Final act signed		
18/07/2018	End of procedure in Parliament		
07/08/2018	Final act published in Official Journal		

Technical information

Procedure reference

2017/0125(COD)

Procedure type	COD - Ordinary legislative procedure (ex-codicedision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	Repealed by 2018/0254(COD)
Legal basis	Treaty on the Functioning of the EU TFEU 173-p3
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/8/10167

Documentation gateway

Legislative proposal		COM(2017)0294	07/06/2017	EC	Summary
Document attached to the procedure		SWD(2017)0228	07/06/2017	EC	
Committee draft report		PE608.022	31/10/2017	EP	
Amendments tabled in committee		PE608.023	05/12/2017	EP	
Amendments tabled in committee		PE615.351	05/12/2017	EP	
Economic and Social Committee: opinion, report		CES3593/2017	07/12/2017	ESC	
Committee opinion	IMCO	PE612.223	24/01/2018	EP	
Committee opinion	AFET	PE612.300	25/01/2018	EP	
Committee opinion	BUDG	PE612.357	25/01/2018	EP	
Committee report tabled for plenary, 1st reading/single reading		A8-0037/2018	26/02/2018	EP	Summary
Committee of the Regions: opinion		CDR4309/2017	23/03/2018	CofR	
Coreper letter confirming interinstitutional agreement		GEDA/A/(2018)004778	07/06/2018	CSL	
Text adopted by Parliament, 1st reading/single reading		T8-0275/2018	03/07/2018	EP	Summary
Draft final act		00028/2018/LEX	06/07/2018	CSL	
Commission response to text adopted in plenary		SP(2018)547	12/09/2018	EC	

Additional information

Research document	Briefing
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Final act

[Regulation 2018/1092](#)
[OJ L 200 07.08.2018, p. 0030](#) Summary

Final legislative act with provisions for delegated acts

PURPOSE: to establish a European defence industrial development programme.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the defence industry is a major element of the economy of the European Union. For Europe to take over more responsibility for its defence, the Commission considers it crucial to improve competitiveness and enhance innovation across the Union defence industry.

The proposal for a European defence industrial development programme aims at enhancing the competitiveness and innovation of the Union defence industry including cyber defence.

In November 2016, the Commission adopted the [European Defence Action Plan](#), which sets out measures to achieve greater European defence cooperation and support the competitiveness of the European defence industry. It proposed in particular to launch a European Defence Fund to support investment in joint research and the joint development of defence equipment and technologies.

The initiative was welcomed by the European Council and the Commission was invited to present proposals in the first half of 2017.

CONTENT: the Commission proposes to establish a European Defence Industrial Development Programme for Union action covering the period from 1st January 2019 to 31 December 2020. The amount for the implementation of the Programme for the period 2019-2020 is set at EUR 500 million in current prices. The Commission will be responsible for the execution and the management structure of the programme.

The Programme shall have the following objectives:

- to foster the competitiveness and innovation capacity of the Union defence industry by supporting actions in their development phase;
- to support and leverage the cooperation between undertakings in the development of technologies or products in line with defence capability priorities;
- to foster better exploitation of the results of defence research and contribute to closing the gaps between research and development.

The programme will help create a collaborative approach between defence industrial players of the Member States and is expected to reduce wasteful duplications, dispersions and create economies of scale.

Union's financial assistance: this shall take the form of grants and financial instruments or via public procurement. The programme shall support the design, definition of common technical specifications, prototyping, testing, qualification and certification of defence products, tangible or intangible components and technologies. Support can also be provided for studies, feasibility assessments and other support activities.

Eligible entities: the action shall be undertaken in a cooperation of at least three undertakings which are established in at least two different Member States.

Beneficiaries shall be undertakings established in the Union, in which Member States and/or nationals of Member States own more than 50% of the undertaking and effectively control it, whether directly or indirectly through one or more intermediate undertakings.

The financial assistance of the Union provided under the Programme may not exceed 20% of the total cost of the action where it relates to prototyping. In all the other cases, the assistance may cover up to the total cost of the action.

Award criteria: actions proposed for funding under the Programme shall be evaluated on the basis of the following cumulative criteria:

- excellence;
- contribution to the innovation and technological development of defence industries;
- contribution to the security and defence interests of the Union by enhancing defence technologies which contribute to implement defence capability priorities commonly agreed by Member States within the Union;
- viability of actions, the contribution to the competitiveness of the European defence industry through the demonstration by the beneficiaries that Member States have committed to jointly produce and procure the final product or technology in a coordinated way.

The Commission shall regularly monitor the implementation of the programme.

European defence industrial development programme

The Committee on Industry, Research and Energy adopted the report by Françoise GROSSETÊTE (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 Parliaments 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.

European defence industrial development programme

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.

European defence industrial development programme

PURPOSE: to establish a programme aiming to support the competitiveness and innovative capacity of the Union's defence industry.

LEGISLATIVE ACT: Regulation (EU) 2018/1092 of the European Parliament and of the Council establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovation capacity of the Union's defence industry.

CONTENT: the Regulation establishes a European Defence Industrial Development Programme in order to contribute to the Union's strategic autonomy. This Regulation, which is an integral part of the European Defence Fund, aims to establish a programme to support the competitiveness and innovation capacity of the Union's defence industry with a budget of EUR 500 million for the period 2019-2020.

Objectives: the programme shall act as a catalyst for cooperation, promoting potential collaborative programmes during the development phase of defence products and technologies, thus facilitating better exploitation of economies of scale in the defence industry and promoting the standardisation of defence systems while improving their interoperability.

The programme shall finance actions such as feasibility studies, testing, design, qualification and certification of products, system prototyping for a product, as well as the development of technologies that increase the effectiveness of defence products and technologies.

The actions financed must contribute to excellence, innovation, competitiveness and autonomy of the European defence industry.

Eligible entities: the programme shall co-finance projects implemented by consortia of at least three undertakings based in at least three different Member States. Projects specifically aimed at SMEs and mid-cap companies shall benefit from higher funding rates, as will actions carried out within the framework of permanent structured cooperation (PSC).

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.

It shall be possible to derogate from this principle provided that strict conditions relating to the interests of the Union are met.

Financing: 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.

ENTRY INTO FORCE: 10.8.2018.