



---

*Committee on the Internal Market and Consumer Protection*

---

**2017/0125(COD)**

24.1.2018

## **OPINION**

of the Committee on the Internal Market and Consumer Protection

for the Committee on Industry, Research and Energy

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  
(COM(2017)0294 – C8-0180/2017 – 2017/0125(COD))

Rapporteur: Anneleen Van Bossuyt

PA\_Legam

## **SHORT JUSTIFICATION**

### **Background and the Commission's proposal**

The Commission's European Defence Action Plan, adopted in November 2016, was welcomed by the European Council and the Commission was invited to present proposals in the first half of 2017. A core proposal of the European Defence Action Plan is to establish a European Defence Fund to support investment in joint research and in joint development of defence equipment and technologies - thus the Fund should consist of two distinct but complementary windows, i.e. a research window and a capability window.

This proposal, for a European Defence Industrial Development Programme, falls under the capability window, aiming to contribute to the innovative capacity of the European defence industry and its competitiveness, for the period from 1 January 2019 to 31 December 2020.

According to the Commission proposal: beneficiaries are undertakings established in the Union; the Union would provide financial assistance, mainly in the form of grants; eligible actions should be undertaken by a cooperation of at least 3 undertakings which are established in at least 2 Member States; the funding rate is limited to 20% of the total cost of the action where it relates to prototyping; beneficiaries developing an action in the context of Permanent Structured Cooperation (PESCO) will be eligible for an increased funding; the budget of the Programme would be 500 million euro. The proposed Regulation includes measures concerning the Union defence industry and the Commission uses Article 173 (industrial policy) of the Treaty on the Functioning of the European Union as its legal basis.

### **Position of the IMCO Rapporteur**

The Rapporteur welcomes in principle the Commission's proposal. Although, the prime objective is to foster the competitiveness of the defence industry, also from the internal market angle, such an instrument can be supported: Despite the fact that existing internal market instruments offer solutions for effective cooperation among Member States and for building on economies of scale, the defence market fragmentation is persisting; the Rapporteur is thus convinced that additional measures, such as targeted EU financing, could contribute to unlocking a number of cooperation development projects which otherwise would not start and to creating a basis for a progressively integrating European market in the sector.

At the same time and to the extent that Union money is spent, it is important for the Rapporteur that, notwithstanding the specificities of the defence sector, the highest level of transparency is guaranteed and that the programme remains as open as possible.

Following, the Rapporteur believes that the proposal can benefit from a number of improvements and introduces amendments which mean to address the following:

- To increase the required participation of undertakings and Member States from three and two to eight and six, respectively; the participation requirements as proposed by the Commission are putting the threshold very low in a way that the Union's support

cannot be really justified. The funded projects should practically foster European cooperation and this is only attainable if the participation thresholds will be increased;

- To better interlink the objectives of the Programme with the award criteria, as well as with the evaluation/reporting requirements;
- To clarify the award criterion on Member States' commitment to procure jointly, in order to ensure that there is no doubt about the extent to which the defence procurement Directive 2009/81/EC applies;
- To allow, if necessary, participation of undertakings based in a third country, under the condition that this is provided in the work programme; in this way important projects which serve the objectives of the Programme and need the participation of a third country undertaking could still be eligible; in that respect, the approach as regards the intellectual property rights can be more cautious;
- To allow (while the norm should be increased cooperation of European undertakings) for some flexibility in exceptional justified cases, regarding the number of participants, the type of participant and the place of establishment;
- To incentivise increased cooperation (high number of participants and Member States) and substantial SMEs participation by adding respective award criteria;
- To lower the maximum financial contribution for actions other than prototyping to a maximum of 50% and to raise it to 100% if these actions are undertaken by SMEs;
- To delete the additional financial support (10%) for PESCO projects in order to be non-discriminatory and to incentivise new Member States' cooperation;
- To require annual evaluation and reporting for this two-year Programme, especially since this is seen as a pilot for a next multiannual programme and since no comprehensive impact assessment has been completed for this proposal;
- To lower the budget of the Programme from 500 million to 355 million euros. According to the Commission, 145 million will be deployed from the successful CEF programme which is investing amongst others on critical actions fostering digitalisation.

## AMENDMENTS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Industry, Research and Energy, as the committee responsible, to take into account the following amendments:

### Amendment 1

#### Proposal for a regulation

##### Recital 1

*Text proposed by the Commission*

(1) In the European Defence Action Plan, adopted on 30 November 2016, the

*Amendment*

(1) In the European Defence Action Plan, adopted on 30 November 2016, the

Commission committed to complement, leverage and consolidate collaborative efforts by Member States in developing defence capabilities to respond to security challenges, as well as to foster a competitive and innovative 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 Fund would support cooperation during the whole cycle of defence product and technology development.

Commission committed to complement, leverage and consolidate collaborative efforts by Member States in developing defence capabilities to respond to security challenges, as well as to foster a competitive and innovative European defence industry ***and to create a more integrated defence market in Europe that caters simultaneously and affordably for the different security needs of the Member States***. 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 Fund would support cooperation during the whole cycle of defence product and technology development. ***It should complement national defence budgets and encourage Member States to invest more in the defence sector.***

## Amendment 2

### Proposal for a regulation Recital 2

#### *Text proposed by the Commission*

(2) In order to contribute to the enhancement of the competitiveness and innovation capacity of the Union's defence industry, a European Defence Industrial Development Programme (hereinafter referred to as the Programme) should be established. The Programme should aim at enhancing the competitiveness of the Union's defence industry inter alia cyber defence by supporting the cooperation between undertakings in the development phase of defence products and technologies. The development phase, which follows the research and technology phase, entails significant risks and costs that hamper the further exploitation of the results of research and adversely impact the competitiveness of the Union's defence industry. By supporting the development

#### *Amendment*

(2) In order to contribute to the enhancement of the competitiveness and innovation capacity of the Union's defence industry ***and to consolidate the Union's strategic autonomy***, a European Defence Industrial Development Programme (hereinafter referred to as the Programme) should be established. The Programme should aim at enhancing the competitiveness ***and performance*** of the Union's defence industry, inter alia, ***the cyber defence industry, taking into account developments in the speed and sophistication of cyber-attacks***, by supporting the cooperation between undertakings in the development phase of defence products and technologies. The development phase, which follows the research and technology phase, entails

phase, the Programme would contribute to a better exploitation of the results of defence research and it would help to cover the gap between research and production as well as to promote all forms of innovation. The Programme should complement activities carried out in accordance with Article 182 TFEU and it does not cover the production of defence products and technologies.

significant risks and costs that hamper the further exploitation of the results of research and adversely impact the competitiveness of the Union's defence industry. By supporting the development phase, the Programme would contribute to a better exploitation of the results of defence research and it would help to cover the gap between research and production as well as to promote all forms of innovation. The Programme should complement activities carried out in accordance with Article 182 TFEU and it does not cover the production of defence products and technologies.

### Amendment 3

#### Proposal for a regulation Recital 3

*Text proposed by the Commission*

(3) To better exploit economies of scale in the defence industry, the Programme should support the cooperation between undertakings in the development of defence products and technologies.

*Amendment*

(3) ***The fragmentation of European defence markets and the low number of collaborative projects in the field of defence between Member States leads to unnecessary duplication of capabilities and expenditure.*** To better exploit economies of scale in the defence industry ***and reinforce the single market for defence,*** the Programme should support the cooperation between undertakings in the development of defence products and technologies, ***both at the level of prime contractors and of suppliers, where commonly agreed capability requirements are identified and the lack of interoperability and technological gaps are addressed. This should also improve the efficiency of the single market in the defence sector which would ultimately mean better value for money for the Member States.***

### Amendment 4

**Proposal for a regulation**  
**Recital 4 a (new)**

*Text proposed by the Commission*

*Amendment*

**(4a) The budget of the Programme should not affect negatively the implementation of the programmes from which redeployments are taken and should therefore primarily be funded from the Global Margin for Commitments, the Global Margin for Payments, and the Flexibility Instrument.**

**Amendment 5**

**Proposal for a regulation**  
**Recital 5 a (new)**

*Text proposed by the Commission*

*Amendment*

**(5a) In line with the objective of fostering the strategic autonomy of the Union, when financial support of the Union is provided through the Programme, priority should be given to the products and technologies developed through the Programme when Member States intend to acquire products or technologies available on the European market.**

**Amendment 6**

**Proposal for a regulation**  
**Recital 7**

*Text proposed by the Commission*

*Amendment*

(7) In view of the specificities of the sector, in practice no collaborative project between undertakings will be launched if the Member States have not first agreed to support such projects. After having defined common defence capability priorities at Union-level and also taking into account where appropriate collaborative initiatives

(7) In view of the specificities of the sector, in practice no collaborative project between undertakings will be launched if the Member States have not first agreed to support such projects. After having defined common defence capability priorities **in the context of the Common Security and Defence Policy and in the Permanent**

on a regional basis, Member States identify and consolidate **military** requirements and define the technical specifications of the project. ***They may also appoint a project manager in charge of leading the work related to the development of a collaborative project.***

## Amendment 7

### Proposal for a regulation Recital 10

#### *Text proposed by the Commission*

(10) As the objective of the Programme is to support the competitiveness of the Union defence industry by ***de-risking*** the development phase of cooperative projects, actions related to the development of a defence product or technology, namely definition of common technical specifications, design, prototyping, testing, qualification, certification as well feasibility studies and other supporting measures, should be eligible to benefit from it. This ***will*** also apply to the ***upgrade*** of existing defence products and technologies.

## Amendment 8

### Proposal for a regulation Recital 11

#### *Text proposed by the Commission*

(11) Given that the Programme aims particularly at enhancing cooperation between undertakings across Member States, an action should be eligible for funding under the Programme only if it is undertaken by a cooperation of at least three undertakings based in at least ***two***

***Structured Cooperation*** at Union-level and also taking into account where appropriate collaborative initiatives on a regional basis, Member States identify and consolidate ***defence*** requirements and define the technical specifications of the project.

#### *Amendment*

(10) As the objective of the Programme is to support the competitiveness ***and integration*** of the Union defence industry ***and the Member State cooperation by bearing some of the risk of*** the development phase of cooperative projects, actions related to the development of a defence product or technology, namely definition of common technical specifications ***and standards***, design, prototyping, testing, qualification, certification as well feasibility studies and other supporting measures, should be eligible to benefit from it. This ***should*** also apply to the ***substantial development*** of existing defence products and technologies.

#### *Amendment*

(11) Given that the Programme aims particularly at enhancing cooperation between ***public or private*** undertakings across Member States, an action should be eligible for funding under the Programme only if it is undertaken by a cooperation of at least three undertakings based in at least



different Member States.

*three* different Member States.

## Amendment 9

### Proposal for a regulation

#### Recital 12

##### *Text proposed by the Commission*

(12) Cross-border collaboration in the development of defence products and technologies has often been hampered by the difficulty to agree on common technical specifications. The absence or limited level of common technical specifications have led to increased complexity, delays and inflated costs in the development phase. The agreement on common technical specifications should be a condition in order to benefit from the Union's support under this Programme. Actions aiming at supporting the creation of a common definition of technical specifications should also be eligible for support under the Programme.

##### *Amendment*

(12) Cross-border collaboration in the development of defence products and technologies has often been hampered by the difficulty to agree on common technical specifications *or standards and promote interoperability*. The absence or limited level of common technical specifications *or standards* have led to increased complexity, delays and inflated costs in the development phase. The agreement on common technical specifications *or standards* should be a *primary* condition in order to benefit from the Union's support under this Programme. Actions aiming at supporting the creation of a common definition of technical specifications *or standards* should also be eligible for support under the Programme.

## Amendment 10

### Proposal for a regulation

#### Recital 13

##### *Text proposed by the Commission*

(13) As the Programme aims at enhancing the competitiveness of the Union's defence industry, only entities established in the Union and *effectively controlled by Member States or* their *nationals* should be eligible for support. Additionally, in order to ensure the protection of essential security interests of the Union and its Member States, the infrastructure, facilities, assets *and resources* used by the beneficiaries and subcontractors in actions funded under the

##### *Amendment*

(13) As the Programme aims at enhancing the *efficient cooperation and* competitiveness of the Union's defence industry *and consolidating the Union's strategic defence autonomy*, only entities *which are* established in the Union and *have* their *executive management structures there* should be eligible for *financial* support. *Undertakings located in third countries should be able to participate in the projects by cooperating with beneficiaries, where they are located*

Programme, shall not be located on the territory of *non-Member States*.

*in a third country identified in the work programme*. Additionally, in order to ensure the protection of essential *defence and* security interests of the Union and its Member States, the infrastructure, facilities *and* assets used by the beneficiaries and subcontractors in actions funded under the Programme, *should* not be located on the territory of *third countries*. *The beneficiaries and their subcontractors should not be subject to control by third countries or by third country entities, as control is understood, for example, in competition policy.*

## Amendment 11

### Proposal for a regulation Recital 14

*Text proposed by the Commission*

(14) Eligible actions developed in the context of Permanent Structured Cooperation in the institutional framework of the Union would ensure enhanced cooperation between undertakings in the different Member States on a continuous basis and thus *directly* contribute to the aims of the Programme. Such projects should thus be eligible for an increased funding rate.

*Amendment*

(14) Eligible actions developed in the context of *the* Permanent Structured Cooperation in the institutional framework of the Union would ensure enhanced cooperation between undertakings in the different Member States on a continuous basis and thus *effectively* contribute to the aims of the Programme. Such projects should thus be eligible for an increased funding rate.

## Amendment 12

### Proposal for a regulation Recital 16

*Text proposed by the Commission*

(16) The promotion of innovation and technological development in the Union defence industry should take place in a manner coherent with the security interests of the Union. Accordingly, the action's contribution to those interests and to the defence capability priorities commonly

*Amendment*

(16) The promotion of innovation and technological development in the Union defence industry should take place in a manner coherent with the security interests of the Union *and in compliance with international law*. Accordingly, the action's contribution to those interests and

agreed by Member States should serve as an award criterion. Within the Union, common defence capability priorities are identified notably through the Capability Development Plan. Other Union processes such as the Coordinated Annual Review on Defence (CARD) and the Permanent Structured Cooperation will support the implementation of relevant priorities through enhanced cooperation. Where appropriate regional or international cooperative initiatives, such as in the **NATO** context, and serving **the** Union security and defence **interest, may** also be taken into account.

to the defence capability priorities commonly agreed by Member States should serve as an award criterion. Within the Union, common defence capability priorities are identified notably through the Capability Development Plan. ***The European Defence Action Plan published by the Commission on 30 November 2016 highlighted the need to maximise synergies between the civil and military spheres, including in areas such as space policy, cyber security, cyber defence and maritime security.*** Other Union processes such as the Coordinated Annual Review on Defence (CARD) and the Permanent Structured Cooperation will support the implementation of relevant priorities through enhanced cooperation. Where appropriate regional or international cooperative initiatives, such as ***those undertaken*** in the context ***of NATO***, and serving Union security and defence ***interests, should*** also be taken into account.

## Amendment 13

### Proposal for a regulation

#### Recital 18

##### *Text proposed by the Commission*

(18) In order to ensure that the funded actions **will** contribute to the competitiveness of the European defence industry, they should be market-oriented and demand driven. Therefore, the fact that Member States have already committed to jointly produce **and** procure the final product or technology, possibly in a coordinated way, should be taken into account in the award criteria.

##### *Amendment*

(18) In order to ensure that the funded actions contribute to the competitiveness ***and efficiency*** of the European defence industry, they should be market-oriented and demand driven. Therefore, the fact that Member States have already committed to jointly ***develop***, produce ***or*** procure the final product or technology, possibly in a coordinated way, should be taken into account in the award criteria. ***In all cases, the requirements of Directive 2009/81/EC of the European Parliament and of the Council<sup>1a</sup> should be respected in full, including the transparency and non-discrimination principles, and exceptions should be allowed only within the strict***

*framework of that Directive.*

---

*<sup>1a</sup> Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (OJ L 216 20.8.2009, p. 76).*

## **Amendment 14**

### **Proposal for a regulation**

#### **Recital 19**

*Text proposed by the Commission*

(19) The financial assistance of the Union under the Programme should not exceed **20%** of the total eligible cost of the action when it relates to prototyping which is often the most costly action in the development phase. ***The totality*** of the eligible costs should however be covered for other actions in the development phase.

*Amendment*

(19) The financial assistance of the Union under the Programme should not exceed **50%** of the total eligible cost of the action when it relates to prototyping which is often the most costly action in the development phase. ***Up to 75%*** of the eligible costs should however be covered ***by the Union*** for other actions in the development phase ***and 100% in relation to actions undertaken by SMEs.***

## **Amendment 15**

### **Proposal for a regulation**

#### **Recital 19 a (new)**

*Text proposed by the Commission*

*Amendment*

***(19a) One of the obstacles in making the European defence industry more competitive and market driven is that in some cases, Member states or competent authorities choose to obtain new defence products without an appropriate public procurement in order to conceal information about the obtained products, even in cases where there is little or no***

*reason to do so. Consequently, this situation should also be analysed in the framework of the Programme and appropriate measures should be taken in order to make the European defence industry more competitive and market driven with no additional cost to the Programme.*

## Amendment 16

### Proposal for a regulation Recital 21

*Text proposed by the Commission*

(21) The Commission should establish a **multiannual** work programme in line with the objectives of the Programme. The Commission should be assisted in the establishment of the work programme by a committee of Member States (hereinafter referred to as Programme Committee). In light of the Union policy on Small and Medium Enterprises (SMEs) as key to ensuring economic growth, innovation, job creation, and social integration in the Union and the fact that the supported actions will typically require trans-national collaboration, it is of importance that the work programme will reflect and enable such cross-border participation of SMEs and that therefore a proportion of the overall budget will benefit such action.

*Amendment*

(21) The Commission should establish a **biennial** work programme in line with the objectives of the Programme. The Commission should be assisted in the establishment of the work programme by a committee of Member States (hereinafter referred to as Programme Committee). In light of the Union policy on Small and Medium Enterprises (SMEs) as key to ensuring economic growth, innovation, job creation, and social integration in the Union and the fact that the supported actions will typically require trans-national collaboration, it is of importance that the work programme will reflect and enable such cross-border participation of SMEs and that therefore a proportion of the overall budget will benefit such action, *as SMEs are central to the European defence industrial base and the value chain. At the same time, they are the most vulnerable part of the defence supply chain to access fresh capital needed for new investments.*

## Amendment 17

### Proposal for a regulation Recital 22

*Text proposed by the Commission*

(22) In order to benefit from its expertise in the defence sector, the European Defence Agency will be given the status of an observer in the ***committee of Member States***. The European External Action Service should also assist ***in the committee of Member States***.

*Amendment*

(22) In order to benefit from its expertise in the defence sector, the European Defence Agency will be given the status of an observer in the ***Programme Committee***. The European External Action Service should also assist the ***Programme Committee***.

**Amendment 18**

**Proposal for a regulation  
Recital 25**

*Text proposed by the Commission*

(25) The Commission should draw up an implementation report at the end of the Programme, examining the financial activities in terms of financial implementation results and ***where possible***, impact. This report should also analyse the ***cross border*** participation of SMEs in projects under the Programme as well as the participation of SMEs to the global value chain.

*Amendment*

(25) The Commission should draw up an implementation ***and evaluation*** report at the end ***of each year*** of the Programme, examining ***and evaluating*** the financial activities in terms of financial implementation results, impact. This report should also analyse the ***cross-border*** participation of SMEs in projects under the Programme as well as the participation of SMEs to the global value chain. ***If the participation of SMEs is considered to be low, the Commission should examine the reasons for this situation and should propose, without delay, adequate new measures for allowing SMEs to increase their participation.***

**Amendment 19**

**Proposal for a regulation  
Article 2 – paragraph 1 – point a**

*Text proposed by the Commission*

(a) to foster the competitiveness and innovation capacity of the Union defence industry by supporting actions in their development phase;

*Amendment*

(a) to foster the competitiveness and innovation capacity of the Union defence industry by supporting ***cross-border*** actions in their development phase;

## Amendment 20

### Proposal for a regulation

#### Article 2 – paragraph 1 – point b

*Text proposed by the Commission*

(b) to support and leverage the cooperation between undertakings, including small and medium-sized enterprises, in the development of technologies or products in line with defence capability priorities commonly agreed by Member States within the Union;

*Amendment*

(b) to **increase**, support and leverage the **cross-border** cooperation between **Member States and** undertakings **with a view to supporting integrated actions in the single market for defence**, including **the involvement of** small and medium-sized enterprises, in the development of technologies or products in line with defence capability priorities commonly agreed by Member States within the Union, **including the development of cyber defence capabilities and cybersecurity solutions for the defence industry, and in order to avoid duplication and promote interoperability and standardisation**;

## Amendment 21

### Proposal for a regulation

#### Article 2 – paragraph 1 – point c

*Text proposed by the Commission*

(c) **To** foster better exploitation of the results of defence research and contribute to closing the gaps between research and development.

*Amendment*

(c) **to** foster better exploitation of the results of defence research and contribute to closing the gaps between research and development **in line with the defence capability priorities within the Union, as commonly agreed by Member States**;

## Amendment 22

### Proposal for a regulation

#### Article 2 – paragraph 1 – point c a (new)

*Text proposed by the Commission*

*Amendment*

**(c a) to contribute to the Union's strategic defence autonomy through the growing of an autonomous and**

*consolidated European defence industry within the single market, with guaranteed security of supply;*

## Amendment 23

### Proposal for a regulation

#### Article 2 – paragraph 1 – point c b (new)

*Text proposed by the Commission*

*Amendment*

*(c b) to support the development and acquisition of new skills for workers in the defence sector.*

## Amendment 24

### Proposal for a regulation

#### Article 3 – paragraph 1

*Text proposed by the Commission*

*Amendment*

The amount for the implementation of the Programme for the period 2019-2020 is set at EUR 500 million in current prices.

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 from the unallocated margins under the 2014-2020 multiannual financial framework ceilings, with particular recourse to the Global Margin for Commitments, the Global Margin for Payments and the Flexibility Instrument.*

## Amendment 25

### Proposal for a regulation

#### Article 6 – paragraph 1 – introductory part

*Text proposed by the Commission*

*Amendment*

1. The Programme shall provide support for actions by beneficiaries in the development phase covering *both new and the upgrade* of existing products and technologies, in relation to:

1. The Programme shall *identify and* provide support for actions by beneficiaries in the development phase covering new *products and technologies or the substantial development* of existing products and technologies, in relation to:



## Amendment 26

### Proposal for a regulation

#### Article 6 – paragraph 1 – point a

*Text proposed by the Commission*

(a) 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;

*Amendment*

(a) the design of a defence product, tangible or intangible component or technology as well as the technical specifications ***or standards*** on which such design has been developed;

## Amendment 27

### Proposal for a regulation

#### Article 6 – paragraph 2

*Text proposed by the Commission*

2. The action shall be undertaken in a cooperation of at least three undertakings which are established in at least ***two*** different Member States. The undertakings which are beneficiaries shall not effectively be controlled, directly or indirectly, by the same entity or shall not control each other.

*Amendment*

2. The action shall be undertaken in a cooperation of at least three undertakings which are established in at least ***three*** different Member States. The undertakings which are beneficiaries, ***and any of their subcontractors participating in the action,*** shall not effectively be controlled, directly or indirectly, by the same entity or shall not control each other.

## Amendment 28

### Proposal for a regulation

#### Article 6 – paragraph 4

*Text proposed by the Commission*

4. When it relates to actions defined under point (b) to (f) of the first paragraph, the action ***must*** be based on common technical specifications.

*Amendment*

4. When it relates to actions defined under point (b) to (f) of the first paragraph, the action ***shall*** be based on common technical specifications ***or standards that promote interoperability.***

## Amendment 29

### Proposal for a regulation Article 7 – paragraph 1

*Text proposed by the Commission*

1. 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 within the meaning of Article 6(3), whether directly or indirectly through one or more intermediate undertakings. In addition,*** all infrastructure, facilities, assets ***and resources*** used by the ***participants***, including subcontractors and other third parties, ***in*** actions funded under the Programme shall ***not*** be located on the territory of ***non-Member*** States during the entire duration of the action.

*Amendment*

1. Beneficiaries ***and their subcontractors*** shall be ***public or private*** undertakings established in the Union ***and their executive management structures shall be located in the Union.*** All infrastructure, facilities, ***and*** assets used by the ***beneficiaries***, including subcontractors and other third parties, ***for the purposes of the*** actions funded under the Programme shall be located on the territory of ***the Member*** States during the entire duration of the action.

***The beneficiaries and their subcontractors shall not be subject to control by third countries or by third country entities.***

## Amendment 30

### Proposal for a regulation Article 7 a (new)

*Text proposed by the Commission*

*Amendment*

#### *Article 7 a*

##### ***Additional conditions for participation***

- 1. Where appropriate and duly justified, the work programme may provide for additional conditions according to specific policy requirements or to the nature and objectives of the action, including conditions regarding the number and type of participants and their place of establishment.***
- 2. Where appropriate, beneficiaries may cooperate with undertakings located in a***

*third country identified in the work programme.*

*Cooperation referred to in the first subparagraph is subject to such undertakings having relevant expertise in the eligible action.*

*An undertaking controlled by a third country or by entities established in a third country may cooperate with beneficiaries of an action where the Member State in which the beneficiary is located provides sufficient assurances, in accordance with effective national procedures or contractual arrangements, to the effect that the participation of that undertaking in the action would not contravene the security and defence interests of the Union and its Member States as established in the framework of Common Foreign and Security Policy in accordance with Title V of the TEU.*

*For the purposes of subparagraphs 1 and 2 of paragraph 2, member countries of the NATO are always eligible.*

*3. Eligible actions shall be in line with the tasks referred to in Article 42(1) TEU for peace keeping, conflict prevention and strengthening international security in accordance with the principles of the United Nations Charter.*

## **Amendment 31**

### **Proposal for a regulation**

#### **Article 10 – paragraph 1 – point b**

*Text proposed by the Commission*

(b) contribution to the innovation and technological development of defence industries *and thus to fostering the industrial autonomy of the Union in the field of defence technologies; and,*

*Amendment*

(b) contribution to the innovation and technological development of defence industries *as well as contribution to the reinforcing of the single market for defence;*

## Amendment 32

### Proposal for a regulation

#### Article 10 – paragraph 1 – point c

*Text proposed by the Commission*

(c) 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; *and*,

*Amendment*

(c) contribution to the **Common Security and Defence Policy (CSDP)** by enhancing defence technologies which contribute to **the implementation of the** defence capability priorities commonly agreed by Member States within the Union, **and where appropriate at regional or international level**;

## Amendment 33

### Proposal for a regulation

#### Article 10 – paragraph 1 – point d

*Text proposed by the Commission*

(d) viability notably via a demonstration by the beneficiaries that the remaining costs of the eligible action are covered by other means of financing such as Member States' contributions; *and*

*Amendment*

(d) viability notably via a demonstration by the beneficiaries that the remaining costs of the eligible action are covered by other means of financing such as Member States' contributions;

## Amendment 34

### Proposal for a regulation

#### Article 10 – paragraph 1 – point e

*Text proposed by the Commission*

(e) for actions described in points (b) to (e) of Article 6(1), 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, including joint procurement where applicable.

*Amendment*

(e) for actions described in points (b) to (e) of Article 6(1), the contribution to the competitiveness of the European defence industry **and to the reinforcement of the European single market for defence** through the demonstration by the beneficiaries that Member States have committed to jointly **develop**, produce **or** procure the final product or technology in a coordinated way, including joint procurement where applicable **in**

*accordance with Directive 2009/81/EC on defence and security procurement;*

## **Amendment 35**

### **Proposal for a regulation**

#### **Article 10 – paragraph 1 – point e a (new)**

*Text proposed by the Commission*

*Amendment*

*(ea) substantial involvement of SMEs, established in the Union that provide added value, whether as members of the consortium or as subcontractors, and in particular SMEs that are not established in the Member States in which the other undertakings in the consortium are established;*

## **Amendment 36**

### **Proposal for a regulation**

#### **Article 10 – paragraph 1 – point e b (new)**

*Text proposed by the Commission*

*Amendment*

*(eb) increased or new cross-border cooperation.*

## **Amendment 37**

### **Proposal for a regulation**

#### **Article 11 – paragraph 1**

*Text proposed by the Commission*

*Amendment*

1. 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.

1. The financial assistance of the Union provided under the Programme ***shall*** not exceed **50%** of the total cost of the action where it relates to prototyping ***as provided under point (b) of Article 6(1).*** ***For all other actions provided under points (a) and (c) to (eb) of Article 6(1), the assistance shall not exceed 75% of the total cost of the action and 100% in case***

*these actions are undertaken by SMEs.*

## **Amendment 38**

### **Proposal for a regulation**

#### **Article 11 – paragraph 2 a (new)**

*Text proposed by the Commission*

*Amendment*

**2a. If a consortium undertakes to allocate at least 10% of the total eligible cost of the actions to SMEs established in Member States other than those in which the undertakings forming part of the consortium are established, that consortium may benefit from a funding rate increased by an additional 10 percentage points.**

## **Amendment 39**

### **Proposal for a regulation**

#### **Article 12 – paragraph 1**

*Text proposed by the Commission*

*Amendment*

The Commission shall not own the products or technologies resulting from the action nor shall it have any IPR claim pertaining to the action.

The Commission shall not own the products or technologies resulting from the action nor shall it have any IPR claim pertaining to the action. ***Technological products developed or manufactured with the help of this European fund may not be the subject of a transfer of technology or any intellectual property right for the benefit of a third State outside the European Union, or for the benefit of any economic actor that is not controlled by a Member State.***

## **Amendment 40**

### **Proposal for a regulation**

#### **Article 13 – paragraph 1**

*Text proposed by the Commission*

*Amendment*

1. The Commission, by means of an implementing act, shall adopt ***multiannual*** a work programme for the duration of the Programme. This implementing act shall be adopted in accordance with the examination procedure referred to in in Article 16(2). This work programme shall be in line with the objectives set out in Article 2;

#### **Amendment 41**

##### **Proposal for a regulation Article 13 – paragraph 2**

*Text proposed by the Commission*

2. The work programme shall set out in detail the categories of projects to be funded under the Programme;

#### **Amendment 42**

##### **Proposal for a regulation Article 13 – paragraph 3**

*Text proposed by the Commission*

3. The work programme shall ensure that a credible proportion of the overall budget will benefit actions enabling the cross-border participation of SMEs.

#### **Amendment 43**

##### **Proposal for a regulation Article 13 – paragraph 3 a (new)**

1. The Commission, by means of an implementing act, shall adopt ***a biennial*** work programme for the duration of the Programme. This implementing act shall be adopted in accordance with the examination procedure referred to in in Article 16(2).

*Amendment*

2. The work programme shall set out in detail the categories of projects to be funded under the Programme ***and their direct relation to the objectives set out in Article 2.***

*Amendment*

3. The work programme shall ensure that a credible proportion of the overall budget will benefit actions enabling the cross-border participation of SMEs, ***possibly on the basis of a specific project category focusing on SMEs cross-border participation;***

**3a. The work programme shall identify any third countries where the undertakings cooperating with the beneficiaries may be located for the purposes of Article 7a.**

#### **Amendment 44**

##### **Proposal for a regulation Article 17 – title**

*Text proposed by the Commission*

*Amendment*

Monitoring and reporting

Monitoring, **evaluation** and reporting

#### **Amendment 45**

##### **Proposal for a regulation Article 17 – paragraph 1**

*Text proposed by the Commission*

*Amendment*

1. The Commission shall regularly monitor the implementation of the programme and annually report on the progress made in accordance with Article 38(3)(e) of Regulation 966/2012. To this end, the Commission shall put in place necessary monitoring arrangements.

1. The Commission shall regularly monitor **and evaluate** the implementation of the programme and annually report on the progress made in accordance with Article 38(3)(e) of Regulation 966/2012. To this end, the Commission shall put in place necessary monitoring arrangements.

#### **Amendment 46**

##### **Proposal for a regulation Article 17 – paragraph 2**

*Text proposed by the Commission*

*Amendment*

2. To support greater efficiency and effectiveness of future Union policy actions, the Commission shall draw up **a retrospective** evaluation report and send it to the European Parliament and to the Council. The report - building on relevant

2. To support greater efficiency and effectiveness of future Union policy actions, the Commission shall draw up **annual** evaluation reports and send **them** to the European Parliament and to the Council. The reports - building on relevant



consultations of Member States and key stakeholders - shall notably assess the progress made towards the achievement of objectives set out in Article 2. It shall also analyse *cross border participation of SMEs in projects implemented under the programme as well as* the participation of SMEs *to* the global value chain.

consultations of Member States and key stakeholders - shall, *in particular*, assess the progress made towards the achievement of objectives set out in Article 2, *while examining the efficiency and effectiveness of the supported actions in terms of financial implementation, results, costs and, where possible, impacts*. They shall also analyse *the different award criteria as set out in Article 10 and provide relevant data, including information on* the participation of SMEs *and small mid-cap companies in the implemented projects and in* the global value chain.

*The reports shall also include information on the distribution of the intellectual property rights generated.*

## PROCEDURE – COMMITTEE ASKED FOR OPINION

|   |   |
|---|---|
| <b>Title</b>  | Establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovative capacity of the EU defence industry  |
| <b>References</b>   | COM(2017)0294 – C8-0180/2017 – 2017/0125(COD)   |
| <b>Committee responsible</b><br>Date announced in plenary       | ITRE<br>15.6.2017   |
| <b>Opinion by</b><br>Date announced in plenary                  | IMCO<br>15.6.2017   |
| <b>Rapporteur</b><br>Date appointed                             | Anneleen Van Bossuyt<br>12.7.2017   |
| <b>Discussed in committee</b>                                   | 21.11.2017          4.12.2017   |
| <b>Date adopted</b>   | 23.1.2018   |
| <b>Result of final vote</b>                                     | +:                    28<br>–:                    8<br>0:                    0  |
| <b>Members present for the final vote</b>                       | Pascal Arimont, Dita Charanzová, Carlos Coelho, Anna Maria Corazza Bildt, Daniel Dalton, Nicola Danti, Maria Grapini, Sergio Gutiérrez Prieto, Robert Jarosław Iwaszkiewicz, Liisa Jaakonsaari, Philippe Juvin, Antonio López-Istúriz White, Morten Løkkegaard, Eva Maydell, Marlene Mizzi, Nosheena Mobarik, Virginie Rozière, Christel Schaldemose, Andreas Schwab, Olga Sehnalová, Jasenko Selimovic, Igor Šoltes, Ivan Štefanec, Catherine Stihler, Mylène Troszczynski, Mihai Țurcanu, Anneleen Van Bossuyt, Marco Zullo |
| <b>Substitutes present for the final vote</b>                   | Jan Philipp Albrecht, Edward Czesak, Roberta Metsola, Dariusz Rosati, Adam Szejnfeld, Josef Weidenholzer, Kerstin Westphal  |
| <b>Substitutes under Rule 200(2) present for the final vote</b> | Tim Aker  |

## FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

| 28        | +   |
|-----------|---|
| ALDE      | Dita Charanzová, Morten Løkkegaard, Jasenko Selimovic   |
| EFDD      | Marco Zullo   |
| PPE       | Pascal Arimont, Carlos Coelho, Anna Maria Corazza Bildt, Philippe Juvin, Javi López, Eva Maydell, Roberta Metsola, Dariusz Rosati, Andreas Schwab, Ivan Štefanec, Adam Szejnfeld, Mihai Țurcanu |
| S&D       | Nicola Danti, Maria Grapini, Sergio Gutiérrez Prieto, Liisa Jaakonsaari, Marlene Mizzi, Virginie Rozière, Christel Schaldemose, Olga Sehnalová, Catherine Stihler, Josef Weidenholzer           |
| Verts/ALE | Jan Philipp Albrecht, Igor Šoltes   |

| 8    | -  |
|------|--|
| ECR  | Edward Czesak, Daniel Dalton, Nosheena Mobarik, Anneleen Van Bossuyt |
| EFDD | Tim Aker, Robert Jarosław Iwaszkiewicz                               |
| ENF  | Mylène Troszczynski  |
| S&D  | Kerstin Westphal   |

| 0 | 0 |
|---|---|
|   |   |

Key to symbols:

+ : in favour

- : against

0 : abstention