



2017/0125(COD)

23.10.2017

DRAFT 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***. 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.

Or. en

Amendment 2

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 leads to unnecessary duplication of capabilities and expenditures.*** 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, ***both at the level of prime contractors and of suppliers, where commonly agreed capability requirements are identified.*** ***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.***

Or. en

Amendment 3

Proposal for a regulation

Recital 7

Text proposed by the Commission

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

Or. en

Justification

The project manager should be appointed within the consortium; we do not want an external third party out of efficiency.

Amendment 4

Proposal for a regulation

Recital 8

Text proposed by the Commission

(8) ***In case an action supported by the Programme is managed by a project manager appointed by Member States, the Commission should inform the project manager prior to executing the payment to the beneficiary of the eligible action so that the project manager can ensure that the time-frames are respected by the beneficiaries.***

Amendment

deleted

Or. en

Justification

The project manager should be appointed within the consortium; we do not want an external third party out of efficiency.

Amendment 5

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

(10) As the objective of the Programme is to support the competitiveness of the Union defence industry 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.

Or. en

Justification

Priority should be given to new technologies and products; the Programme should not risk investing in the mere upgrading of existing resources.

Amendment 6

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***

Amendment

(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 ***eight*** undertakings based in at least ***six***

different Member States.

different Member States.

Or. en

Justification

Low participation thresholds present no incentive for forming new cooperation structures.

Amendment 7

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 *and standards*. 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.

Or. en

Justification

Standards are very important for cooperation, they reinforce interoperability and lead to cost savings.

Amendment 8

Proposal for a regulation

Recital 13

Text proposed by the Commission

(13) As the Programme aims at

Amendment

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

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 ***financial*** support. ***Undertakings established outside the Union should also be able to participate where they are established in a third country identified in the work programme.*** 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 Programme, shall not be located on the territory of ***third countries who are not identified in the work programme.***

Or. en

Justification

It is important to leave certain flexibility as regards participation of undertakings established in third countries, if for the benefit of the European project. See also the following AM.

Amendment 9

Proposal for a regulation Recital 13 a (new)

Text proposed by the Commission

Amendment

(13a) As research and innovation in general benefit largely from an openness towards third countries, the Programme should seek to foster beneficial links with third countries where that serves the interests of realising its objectives. Where appropriate, and in particular to safeguard the European interests as regards intellectual property, a more cautious approach may be adopted.

Or. en

Amendment 10

Proposal for a regulation Recital 14

Text proposed by the Commission

Amendment

(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.

deleted

Or. en

Justification

The Programme should remain non-discriminatory in this respect and should incentivise new Member States' cooperation.

Amendment 11

Proposal for a regulation Recital 15

Text proposed by the Commission

Amendment

(15) If a consortium of undertakings wishes to participate in an eligible action under the Programme and financial assistance of the Union is to take form of a grant, the consortium should appoint one of its members as a coordinator who will be the principle point of contact with the Commission.

(15) In all cases the consortium should appoint one of its members as a coordinator who will be the principle point of contact with the Commission.

Or. en

Amendment 12

Proposal for a regulation Recital 16

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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 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.

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. Accordingly, the action's contribution to those interests and 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. 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. **Other** regional or international cooperative initiatives, such as in the NATO context, and serving the Union security and defence interest, **should** also be taken into account.

Or. en

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 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. ***In all cases, the requirements of Directive 2009/81/EC of the European Parliament and of the***

Council^{1a} should be respected in full, including the transparency and non-discrimination principles, and exceptions should be allowed within the strict framework of that Directive.

^{1a} 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).

Or. en

Justification

The award criterion proposed by the Commission under Article 6(1)e should not be misunderstood, there needs to be clarity about the application of the defence procurement Directive.

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 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. ***Up to 50%*** 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.***

Or. en

Justification

The Commission's proposal does not sufficiently explain the choice that all eligible actions

except for prototyping are funded up to 100%. The Rapporteur proposes to have a lower funding rate, the other part should be paid by the Member States or undertakings. However, in order to support defence-related SMEs, and especially their cross-border market access and integration in the European supply chains, 100% funding of such SME's actions should be made possible.

Amendment 15

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 **two-year** 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.

Or. en

Justification

This programme is only covering years 2019-2020.

Amendment 16

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

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 *committee of Member States*. The European External Action Service should also assist *in* the *committee of Member States*.

the status of an observer in the *Programme Committee*. The European External Action Service should also assist the *Programme Committee*.

Or. en

Justification

Technical amendment following the chosen text of recital 21.

Amendment 17

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 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.

Or. en

Amendment 18

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

Amendment

(b) to support and leverage the *cross-border* cooperation between undertakings *in view of 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

Union;

defence capability priorities commonly agreed by Member States within the Union;

Or. en

Amendment 19

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 commonly agreed by Member States within the Union;*

Or. en

Amendment 20

Proposal for a regulation

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

Text proposed by the Commission

Amendment

(ca) to foster the growing of an autonomous and consolidated European defence industry within the single market, with guaranteed security of supply.

Or. en

Justification

These objectives are very critical for the added value of the Programme. It is important to define carefully the objectives of the Programme, against which projects will be selected and the whole Programme will be evaluated.

Amendment 21

Proposal for a regulation

Article 3 – paragraph 1

Text proposed by the Commission

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

Amendment

The amount for the implementation of the Programme for the period 2019-2020 is set at EUR **355** million in current prices.

Or. en

Justification

According to the Commission, 145 million will be deployed from the successful CEF programme which is investing amongst others on critical actions fostering digitalisation. In addition, it is not convincingly justified why the Commission proposes a budget of 500 million when a scoping study commissioned by the Commission recommended that the budget of the Programme should be of EUR 150 million in 2019 and EUR 250 million in 2020 (SWD(2017) 228 final, p 21).

Amendment 22

Proposal for a regulation

Article 4 – paragraph 4

Text proposed by the Commission

4. In case a project manager is appointed by Member States, the Commission shall execute the payment to the eligible beneficiaries after informing the project manager.

Amendment

deleted

Or. en

Justification

The project manager should be appointed within the consortium; we do not want an external third party out of efficiency.

Amendment 23

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 provide support for actions by beneficiaries in the development phase covering new products and technologies, in relation to:

Or. en

Justification

Priority should be given to new technologies and products; the Programme should not risk investing in the mere upgrading of existing resources.

Amendment 24

Proposal for a regulation

Article 6 – paragraph 1 – point a

Text proposed by the Commission

Amendment

(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;

(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;

Or. en

Justification

Standards are very important for cooperation, they reinforce interoperability and lead to cost savings.

Amendment 25

Proposal for a regulation

Article 6 – paragraph 2

Text proposed by the Commission

Amendment

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

2. The action shall be undertaken in a cooperation of at least **eight** undertakings which are established in at least **six** 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.

be controlled, directly or indirectly, by the same entity or shall not control each other.

Or. en

Justification

The participation requirements proposed by the Commission are setting the threshold very low in a way that the Union's support cannot be really justified, if the aim is to incentivise European projects.

Amendment 26

Proposal for a regulation

Article 6 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. 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 inter alia conditions regarding the number of participants, the type of participants and their place of establishment.

Or. en

Justification

The norm should be to fund projects with increased cooperation of European undertakings. Nevertheless, some flexibility should be granted for exceptional and justified cases, regarding the number of participants, the type of participant and the place of establishment.

Amendment 27

Proposal for a regulation

Article 6 – paragraph 4

Text proposed by the Commission

Amendment

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.

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 ***or standards***.

Justification

Standards are very important for cooperation, they reinforce interoperability and lead to cost savings.

Amendment 28**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 shall be undertakings established in the Union ***or in a third country identified in the work programme.*** ***All*** infrastructure, facilities, assets and resources used by the participants, including subcontractors and other third parties, in actions funded under the Programme shall be located on the territory of the Member States ***or third countries identified in the work programme*** during the entire duration of the action.

Or. en

Justification

Participation of undertakings based in a third country, under the condition that this is provided in the work programme, should be allowed. 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. However, in that respect, the approach as regards the intellectual property rights can be more cautious.

Amendment 29**Proposal for a regulation
Article 7 – paragraph 2***Text proposed by the Commission**Amendment*

2. *If the beneficiary, as defined in paragraph 1, is developing an action, as defined in Article 6, in the context of Permanent Structured Cooperation, it shall be eligible for the increased funding referred to in Article 11(2) in respect of that action.*

deleted

Or. en

Justification

This provision should be deleted as discriminatory and demotivating for the forming of new cooperation structures.

Amendment 30

Proposal for a regulation Article 9 – paragraph 1

Text proposed by the Commission

1. *Where the Union's financial assistance is provided through a grant, the members of any consortium wishing to participate in an action shall appoint one of them to act as coordinator, which shall be identified in the grant agreement. The coordinator shall be the principal point of contact between the members of the consortium in relations with the Commission or the relevant funding body, unless specified otherwise in the grant agreement or in the event of non-compliance with its obligations under the grant agreement.*

Amendment

1. *The* members of any consortium wishing to participate in an action shall appoint one of them to act as coordinator, which shall be identified in the grant agreement. The coordinator shall be the principal point of contact between the members of the consortium in relations with the Commission or the relevant funding body, unless specified otherwise in the grant agreement or in the event of non-compliance with its obligations under the grant agreement.

Or. en

Amendment 31

Proposal for a regulation Article 10 – paragraph 1 – point b

Text proposed by the Commission

Amendment

(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,

(b) contribution to the innovation and technological development of defence industries; and,

Or. en

Amendment 32

Proposal for a regulation

Article 10 – paragraph 1 – point b a (new)

Text proposed by the Commission

Amendment

(ba) contribution to the competitiveness and growth of defence-related enterprises;

Or. en

Amendment 33

Proposal for a regulation

Article 10 – paragraph 1 – point c

Text proposed by the Commission

Amendment

(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,*

(c) contribution to the security and defence interests of the Union 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;*

Or. en

Amendment 34

Proposal for a regulation

Article 10 – paragraph 1 – point c a (new)

Text proposed by the Commission

Amendment

(ca) substantial involvement of SMEs;

Or. en

Justification

The SMEs involved in a project should ideally have a substantial role in the development and completion of the project, just the mere participation with insignificant role or the number of SMEs involved as such should not be an award criterion.

Amendment 35

Proposal for a regulation

Article 10 – paragraph 1 – point c b (new)

Text proposed by the Commission

Amendment

(cb) increased or new cross-border cooperation;

Or. en

Justification

High number of cross-border participation should promote a candidate project.

Amendment 36

Proposal for a regulation

Article 10 – paragraph 1 – point e

Text proposed by the Commission

Amendment

(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.

(e) for the actions described in 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, **while respecting the requirements of Directive 2009/81/EC as regards defence and**

Justification

This award criterion proposed by the Commission should not be misunderstood, there needs to be clarity about the application of the defence procurement Directive in full.

Amendment 37

Proposal for a regulation
Article 11 – paragraph 1

Text proposed by the Commission

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.

Amendment

1. The financial assistance of the Union provided under the Programme *shall* not exceed 20% 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 (f) of Article 6(1)*, the assistance *shall not exceed 50% 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

Text proposed by the Commission

2. *An action developed by a beneficiary referred to in Article 7 paragraph 2 may benefit from a funding rate increased by an additional 10 percentage points.*

Amendment

deleted

Justification

This provision should be deleted as discriminatory and demotivating for the forming of new cooperation structures.

Amendment 39

Proposal for a regulation Article 13 – paragraph 1

Text proposed by the Commission

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

1. The Commission, by means of an implementing act, shall adopt a ***two-year*** 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).

Or. en

Justification

The Programme covers only the period 2019-2020.

Amendment 40

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

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.***

Or. en

Justification

It is important that the objectives are clearly interlinked with the work programme, and thereafter with the evaluation.

Amendment 41

Proposal for a regulation Article 13 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. The work programme shall identify any third countries that are eligible to participate in the Programme.

Or. en

Justification

See amendment on Article 7, paragraph 1.

Amendment 42

Proposal for a regulation Article 13 – paragraph 3

Text proposed by the Commission

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. *deleted*

Or. en

Justification

The participation of SMEs should be substantial and useful to all sides, on the basis of the actual offer. See also AM 34.

Amendment 43

Proposal for a regulation Article 17 – title

Text proposed by the Commission

Amendment

Monitoring and reporting

Monitoring, *evaluation* and reporting

Or. en

Amendment 44

Proposal for a regulation

Article 17 – paragraph 2

Text proposed by the Commission

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 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.**

Amendment

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

Or. en

Justification

It is important to increase the parliament's scrutiny right and obligation and to require annual evaluation and reporting from the Commission 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. The attainment of all objectives is equally important (including SMEs involvement) and attention should be given to a thorough evaluation of all objectives of the Programme.