The European Commission published the Proposal for a regulation on a European defence industrial development programme (EDIDP) on 7 June 2017, as part of the implementation of the European Defence Action Plan. That plan announced setting up a European Defence Fund, which would support collaborative research in innovative defence technologies and the development of defence products jointly agreed by the Member States. The fund consists of two legally distinct, but complementary windows:

- the research window, in form of the Preparatory Action on Defence Research (PADR, launched on 11 April 2017);
- the capability window, supporting joint development and joint acquisition of key defence capabilities. The EDIDP proposal is part of the development component of the capability window.

The proposed EDIDP regulation, which is subject to the ordinary legislative procedure, aims at fostering the competitiveness and innovative capacity of the EU defence industry, by supporting the cooperation between undertakings in the development phase of defence products and technologies (this phase comes after the research phase, but does not include production). Specifically, the programme would fund projects such as defining common technical specifications, prototyping, testing, qualification and certification of new and updated defence products, as well as feasibility studies and other support activities. It would offer financial assistance via grants, financial instruments and public procurement to projects implemented by at least three undertakings established in at least two Member States. According to the Commission proposal, up to 100 % of total cost could be covered by the Programme, except for prototyping – for this, up to 20 % of total cost would be eligible, while the Member States would contribute the rest. Only projects that Member States agree to support would be eligible. A proportion of the overall budget would benefit SMEs.

The proposal foresees that, in the two-year period 2019-2020, the programme would have a budget of €500 million. The proposal will not increase the total level of expenditure programmed under Heading 1a of the current Multiannual Financial Framework, as the envelopes of the Connecting Europe Facility, the European Satellite Navigation Programmes, the European Earth Observation Programme, the ITER Programme and the unallocated margin will be reduced to finance the contribution from the EU Budget to the European Defence Industrial Development Programme.

In its Resolutions on the European Defence Union and on the possibilities offered by the Lisbon Treaty, the EP has encouraged the
Commission to strengthen the industrial and technological base of the defence sector, which is critical for the Union’s strategic autonomy of decision and action.

In its resolution on the implementation of the common security and defence policy of 23 November 2016, the Parliament welcomed Commission’s plans for increased financial support for defence research at EU level, and called for the funds to be made available in the current and the next multiannual financial framework. It also invited the Member States to equip their armies with the products produced by the European defence industry.

Parliament’s Committee on Industry, Research and Energy (ITRE) is the lead committee for the present file (rapporteur Françoise Grossetête, EPP). The Committee on Foreign Affairs (AFET, rapporteur Ioan Mircea Pașcu, S&D) and the Committee on Budgets (BUDG, rapporteur Esteban González Pons, EPP) are associated, i.e. they carry almost the same weight in the procedure than the lead committee. On 21 February 2018 the ITRE committee adopted its report and decided to open interinstitutional negotiations (trilogues) with Council and Commission, in view of reaching a first reading agreement. Parliament’s starting position focuses on protecting the Union’s - and their industries - interests by avoiding support to firms controlled by foreign enterprises or countries, and by earmarking a part of the funding for SMEs as well as mid-caps (which are defined as being bigger than SMEs, but employing 3000 or fewer people). The amount of €500 million should be drawn exclusively from unallocated margins of the MFF and/or through the mobilisation of special instruments. The assistance may also take the form of a financial instrument or a public contract. A number of allocation criteria are modified. Actions can only be financed if they concern at least three undertakings established in as many Member States. Certain categories, such as weapons of mass destruction, shall not be eligible. The role of the European Parliament in vetting delegated acts needs to be strengthened. The Commission should put forward a legislative proposal for the continuation of this programme.

The Council reached a general approach on 12 December 2017, which in particular urges the budget for the implementation of the programme to be exclusively made available through re-deployments, rather than following the Commission’s approach to use the budgetary margin in addition to re-deployments.

The trilogue meetings resulted in a provisional agreement on 22 May 2018. The two-year financial envelope of €500 million is confirmed, of which 200 million will come from the budgetary margin, the bulk being re-deployments. The assistance will be provided in form of grants and, in exceptional circumstances, public procurement, but not in form of financial instruments. A consortium must consist of at least three eligible entities in at least three different Member States. Cooperation with entities established outside the EU is possible, and SMEs and mid-caps interests are taken care of. Products and technologies prohibited by international law are not eligible for funding.

Parliament confirmed the provisional agreement in plenary on 3 July, and Council adopted it on 18 July 2018. The final act was signed on 18 July 2018 and published in the Official Journal on 7 August 2018.

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Further reading:

• European Parliament, EPRS, European defence industrial development programme, Legislative Briefing, June 2018

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