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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**

{SWD(2017) 228 final}

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

The European defence policy was identified as a key political priority in President Juncker's political guidelines of July 2014. This should be also viewed in connection with the fact that after decades of peace and stability, the Union is facing increased instability and new emerging security threats. This changing security environment demonstrated in a clear way that only through joint efforts in investing in security development and cooperation at all levels can we deliver on the expectations of Union citizens and our partners. For Europe to take over more responsibility for its defence, it is crucial to improve competitiveness and enhance innovation across the Union defence industry.

The proposal for a "European Defence Industrial Development Programme" (hereinafter "the Programme") aims at enhancing the competitiveness and innovation of the Union defence industry including cyber defence. This could be done mainly by fostering better exploitation of the results of defence research, promoting collaboration between undertakings in the development of defence products and technologies and by leveraging Member States' efforts to cooperate so as to ensure that the European defence technological and industrial base can fully meet Europe's current and future security needs. This would ultimately help to enhance the Union strategic autonomy and strengthen its ability to act with partners.

- **Consistency with existing policy provisions in the policy area**

In November 2016, the Commission adopted the European Defence Action Plan, which sets out measures to achieve greater European defence cooperation and support the competitiveness of the European defence industry. The objective of the European Defence Action Plan is for the European defence technological and industrial base to fully meet Europe's current and future security and defence needs. The initiative 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 the establishment of a European Defence Fund (hereinafter "the Fund") to support investment in joint research and the joint development of defence equipment and technologies. The Fund consists of two distinct but complementary windows which would cover the entire cycle of defence industrial development from research through to placing products on the market *i.e.* a research and a capability window.

Under the research window, the Commission is putting in place mechanisms to direct Union funding to joint defence research, notably by means of the recently launched Preparatory Action.

The proposal for the Programme will complement the initiatives to fund collaborative defence research and will ensure that the results of defence research are further developed thus contributing to the innovative capacity of the European defence industry and its competitiveness.

- **Consistency with other Union policies**

The European Defence Action Plan, and therefore the Programme, is fully consistent with initiatives taken at Union level in the context of the Common Foreign and Security Policy. In particular, it is consistent with the 2016 Global Strategy's "Implementation Plan on Security and Defence", which provides the basis for the new Union level of ambition endorsed by the European Council<sup>1</sup> together with actions to fulfil it. The Programme is also linked to the July 2016 "EU-NATO Joint Declaration" signed by the President of the European Council, the President of the Commission and the Secretary-General of NATO. The Commission will ensure that other security policies such as Cybersecurity strategy are consistent with the programme.

The proposed Programme encourages collaboration between undertakings in the development of products and technologies, taking into account the capability priorities commonly agreed by Member States within the Union through the Union Capability Development Plan. It will thus ultimately enhance the Union security and defence interests.

The proposed Programme also takes into account that actions could take place in the context of the Permanent Structured Cooperation. By allowing for higher co-financing rates for such actions, the Programme will ultimately incentivise participation in this more advanced European framework for defence cooperation.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

- **Legal basis**

The draft Regulation proposes measures concerning the Union defence industry. Article 173 of the Treaty on the Functioning of the European Union is the legal basis of this proposal. This is in line with the objective of the draft Regulation which is to enhance the competitiveness of the Union Defence Industry by fostering better exploitation of the industrial potential of innovation and technological development by means of cooperation between undertakings across the Member States.

- **Subsidiarity**

Fostering better exploitation of the results of defence research, innovation and technological development, by leveraging the cooperation between undertakings established in different Member States, is an action inherently characterised by its transnational nature. It affects more than one Member State at the same time and in this sense, cannot be dealt with in a fully satisfactory manner by the individual Member States.

Indeed, the challenges the Union defence industry faces today clearly point at the need for coordinated actions. The European defence sector is suffering from low level of investment and is characterised by fragmentation along national borders leading to persistent duplications. Besides, a look at the defence industries available in the Union uncovers growing shortfalls, ageing technologies and a lack of new programmes, especially collaborative programmes.

Cross-border cooperation can help to better capture scale effects by reducing duplications and allowing for the development of the products and technologies needed. However, it remains too limited and the prevalence of non-coordinated national policies of Member States in this

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<sup>1</sup> Foreign Affairs Council Conclusions, 15.11.2016.

area<sup>2</sup> negatively impacts on the competitiveness and innovation capacity of the Union defence industry.

Action at Union level will provide added-value by means of further stimulating industrial defence cooperation through positive incentives and targeting projects in the development phase that cannot be undertaken successfully at purely national level in view of the costs and associated risks.

- **Proportionality**

The proposal complies with the proportionality principle for the following reason:

Proportionality of the Union intervention is ensured by focusing on the area with the highest impact on the competitiveness of the sector *i.e.* providing financial support to actions at the development phase. In light of the fact that the development phase appears to be one of the riskiest phases and thus one of the most important bottlenecks in the chain of technological advancements in a project, the Union will contribute in part to the development costs of defence products and technologies with a view to unlock cooperative development projects.

Moreover, only actions concerning undertakings established in different Member States represent cases eligible for financial support as they have a clear value by fostering cooperation across national borders.

At the same time, the Union intervention does not undermine or prejudice in any manner the support of actions carried out at national level. It only provides additional incentives to accomplish the most challenging phase of certain of those actions by offering Union support, where most needed.

- **Choice of the instrument**

The Commission proposes a Regulation in order to set up the Programme. This is the most suitable legal instrument as only a Regulation, with its directly applicable legal provisions, can provide the necessary degree of uniformity needed for the establishment and operation of an Union funding programme aiming at supporting an industrial sector across Europe.

### **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

- **Ex-post evaluations/fitness checks of existing legislation**

There is no prior existing legislation covering or pertaining to this specific action as there were - to date - no other Union legislative initiatives aiming at enhancing the competitiveness of the defence industry targeting specifically the development phase of an action for the defence sector. Therefore, there is no previous ex-post evaluation or fitness check of existing legislation that may have taken place for such legislative initiative.

- **Stakeholder consultations**

Member States were consulted throughout the preparation of the proposal by means of regular meetings. Other stakeholders have also been consulted accordingly and were properly informed about the Commission's intention to prepare such a legislative proposal.

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<sup>2</sup> Please see also page 12 of the Staff Working Document accompanying the Regulation

- **Collection and use of expertise**

A preparatory study on the possible budget for the Programme has been commissioned by the European Commission. The study elaborates on the existing bottlenecks for establishing co-operations for development programmes and provides reflection elements to take into account for achieving optimal Union intervention.

- **Impact assessment**

The proposal relies on an accompanying Staff Working Document which offers the necessary elements in order to analyse the impediments that hinder the competitiveness of the sector and to assess the anticipated impact of the proposal. Due to the urgency of the proposal, in light of the European Council of 15 December 2016 inviting the Commission "to make proposals in the first semester of 2017 for the establishment of a European Defence Fund including a window on the joint development of capabilities commonly agreed by the Member States"<sup>3</sup>, the present Commission proposal is submitted without an impact assessment.

- **Regulatory fitness and simplification**

This proposal is not part of the REFIT programme and is not expected to increase the administrative burden.

- **Fundamental rights**

The proposal is in line with the protection of fundamental rights.

#### **4. BUDGETARY IMPLICATIONS**

The impact of the proposal on the Union budget is presented in the financial statement accompanying the proposal and will be met within available resources.

#### **5. OTHER ELEMENTS**

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The Commission should regularly monitor its actions, review progress made towards delivering the expected results as well as examine synergies with other complementary Union programmes or with national programmes co-funded by the Union. Additionally, it is provided that the Commission may also have independent external evaluations to evaluate the impact and effectiveness of its actions under this Programme, where appropriate. The Commission should draw up an evaluation report for the Programme and communicate it to the European Parliament and to the Council. This report will notably assess the progress made towards the achievement of the objectives set in the proposal and will analyse the cross border participation of SMEs in projects under the Programme as well as the participation of SMEs to the global value chain.

The accompanying Staff Working Document proposes more extended monitoring and evaluation activities based on the data which are already collected and published by various organisations active in the European defence sector.

- **Detailed explanation of the specific provisions of the proposal**

The Programme will be set up on the basis of the provisions of Article 173 TFEU and its general objective will be to contribute to the competitiveness and innovative capacity of the

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<sup>3</sup> Foreign Affairs Council Conclusions, 15.11.2016

Union defence policy by supporting actions in their development phase. Beneficiaries will be undertakings established in the Union. The Programme shall be established, covering the period from 1 January 2019 to 31 December 2020.

The proposed intervention strategies would take place through financial assistance. The funding provided under the Programme would take the form of grants and financial instruments or via public procurement. More precisely, the Programme would support the design, definition of common technical specifications, prototyping, testing, qualification and certification of defence products, tangible or intangible components and technologies. Support can also be provided for studies, feasibility assessments and other support activities. The support will aim at actions in the development phase covering both new and the upgrade of existing products and technologies.

The action should be undertaken by a cooperation of at least 3 undertakings which are established in at least 2 Member States.

The proposed funding rate will be limited to 20 % of the total cost of the action. Member States will need to contribute for the remaining costs through pooling of national contributions. The Union budget will be used to support the competitiveness of the sector by leveraging the right amount of Member States' contributions to initiate the cooperation and will act as enabler for cooperation, unblocking potential collaborative development programmes. Beneficiaries developing an action in the context of Permanent Structured Cooperation will be eligible for an increased funding. The supported projects should contribute to the capability priorities as jointly agreed by Member States within the Union through the Union Capability Development Plan, as well as bearing in mind regional and international cooperation, as appropriate. The proposals submitted in view of obtaining support under the Programme will be evaluated on the basis of award criteria which will be based on the contribution to the innovation and technological development of defence industries as well as to the security and defence interests of the Union by enhancing defence technologies, which contribute to capability priorities commonly agreed by Member States within the Union, on the viability of the action as well as on the ability of the beneficiaries to demonstrate that there is a commitment by Member States to jointly produce and procure the final product or technology in a coordinated way, including joint procurement where applicable.

The Commission will be responsible for the execution and the management structure of the Programme. It may however entrust part of the implementation to another entity, in accordance with the requirements of the Financial Regulation. Additionally, a proportion of the overall budget should benefit actions enabling the cross-border participation of SMEs.

The proposed budget of the Programme would be 500 million euro.

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovative capacity of the EU defence industry**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 173 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee<sup>4</sup>,

Having regard to the opinion of the Committee of the Regions<sup>5</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (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.
- (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 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.

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<sup>4</sup> OJ C [...], [...], p. [...].

<sup>5</sup> OJ C [...], [...], p. [...].

- (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.
- (4) The Programme should cover a two year period from 1 January 2019 to 31 December 2020 whereas the amount for the implementation of the Programme should be determined for this period.
- (5) The Programme should be implemented in full compliance with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council<sup>6</sup>. Funding may take in particular the form of grants. Financial instruments or public procurement may be used where appropriate.
- (6) The Commission may entrust part of the implementation of the programme to entities referred to in Article 58(1) (c) of Regulation (EU, Euratom) N°966/2012. In view of its expertise, the Commission may entrust the European Defence Agency with such a role.
- (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.
- (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.
- (9) The Union financial support should not affect the export of products, equipment or technologies, and it should not affect the discretion of Member States regarding policy on the export of defence related products. The Union financial support should not affect Member States' export policies on defence related products.
- (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.
- (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 different Member States.
- (12) Cross-border collaboration in the development of defence products and technologies has often been hampered by the difficulty to agree on common technical

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<sup>6</sup> Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).



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.

- (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.
- (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.
- (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.
- (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.
- (17) In order to ensure that the funded actions are viable, the Member States commitment to effectively contribute to the financing of the action should be an award criterion for such actions.
- (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.
- (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.
- (20) As the Union support aims at enhancing the competitiveness of the sector and concerns only the specific development phase, the Commission should not have

ownership or intellectual property rights over the products or technologies resulting from the funded actions. The applicable intellectual property rights regime will be defined contractually by the beneficiaries.

- (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.
- (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.
- (23) For the selection of actions to be funded by the Programme, the Commission or the entities referred to in Article 58(1)(c) of Regulation N°966/2012 should organise competitive calls as provided for by Regulation No 966/2012. After evaluation of the received proposals with the help of independent experts, the Commission will select the actions to be funded under the Programme. In order to ensure uniform conditions for the implementation of this Regulation implementing powers should be conferred on the Commission as regards the adoption and the implementation of the work programme, as well as for awarding the funding to selected actions. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council<sup>7</sup>.
- (24) The examination procedure should be used for the adoption of the above-mentioned implementing acts taking into account their substantial implications for the implementation of the basic act.
- (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.

HAVE ADOPTED THIS REGULATION:

#### *Article 1*

A European Defence Industrial Development Programme (hereinafter referred to as the Programme) for Union action covering the period from 1st January 2019 to 31 December 2020 is hereby established.

#### *Article 2*

##### Objectives

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<sup>7</sup> Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers

The Programme shall have the following objectives:

- (a) to foster the competitiveness and innovation capacity of the Union defence industry by supporting actions in their development phase;
- (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;
- (c) To foster better exploitation of the results of defence research and contribute to closing the gaps between research and development.

### *Article 3*

#### Budget

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

### *Article 4*

#### General financing provisions

1. The Union's financial assistance may be provided through the types of financing envisaged by Regulation (EU, Euratom) No 966/2012, and in particular:
  - (a) grants;
  - (b) financial instruments;
  - (c) public procurement.
2. The types of financing referred to in paragraph 1 of this Article and the methods of implementation, shall be chosen on the basis of their ability to achieve the specific objectives of the actions and to deliver results, taking into account, in particular, the costs of controls, the administrative burden and the risk of conflict of interests.
3. The Union's financial assistance shall be implemented by the Commission as provided for by Regulation (EU, Euratom) No 966/2012 directly or indirectly by entrusting budget implementation tasks to the entities listed in Article 58(1) (c) of that Regulation.
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.

### *Article 5*

#### Types of financial instruments

1. Financial instruments set up in accordance with Title VIII of Regulation (EU, Euratom) No 966/2012 may be used to facilitate access to finance by entities implementing actions in accordance with Article 6.
2. The following types of financial instruments may be used:
  - (a) Equity or quasi-equity investments;
  - (b) Loans or guarantees;

(c) Risk sharing instruments.

### *Article 6*

#### Eligible actions

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:
  - (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;
  - (b) the prototyping of a defence product, tangible or intangible component or technology. A prototype is a model of a product or technology that can demonstrate the element's performance in an operational environment;
  - (c) the testing of a defence product, tangible or intangible component or technology;
  - (d) the qualification of a defence product, tangible or intangible component or technology; qualification is the entire process of demonstrating that the design of a product/component/technology meets the specified requirements. This process provides objective evidence by which particular requirements of a design are demonstrated to have been achieved;
  - (e) the certification of a defence product or technology. Certification is the process according to which a national authority certifies that the product/component/technology complies with the applicable regulations;
  - (f) studies such as feasibility studies and other accompanying measures.
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.
3. For the purposes of paragraph 2, 'effective control' means a relationship constituted by rights, contracts or any other means which, either separately or jointly and having regard to the considerations of fact or law involved, confer the possibility of directly or indirectly exercising a decisive influence on an undertaking, in particular by:
  - (a) the right to use all or part of the assets of an undertaking;
  - (b) rights or contracts which confer a decisive influence on the composition, voting or decisions of the bodies of an undertaking or otherwise confer a decisive influence on the running of the business of the undertaking.
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.

### *Article 7*

#### Eligible Entities

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.

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.

#### *Article 8*

##### Declaration by applicants

Each applicant shall declare, by written statement, that it is fully aware of and compliant with applicable national and Union legislation and regulations relating to activities in the domain of defence.

#### *Article 9*

##### Consortium

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.
2. The members of a consortium participating in an action shall conclude an internal agreement establishing their rights and obligations with respect to the implementation of the action (in compliance with the grant agreement), except in duly justified cases provided for in the work programme or call for proposals.

#### *Article 10*

##### Award criteria

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

- (a) excellence
- (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,
- (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,
- (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

- (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.

#### *Article 11*

##### Funding rates

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.
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.

#### *Article 12*

##### Ownership and Intellectual Property rights

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

#### *Article 13*

##### Work programme

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;
2. The work programme shall set out in detail the categories of projects to be funded under the Programme;
3. The work programme shall ensure that a credible proportion of the overall budget will benefit actions enabling the cross-border participation of SMEs.

#### *Article 14*

##### Award procedure

1. In the implementation of the Programme, Union funding shall be granted following competitive calls issued in accordance with Regulation (EU, Euratom) No 966/2012 and Commission Delegated Regulation (EU) No 1268/12<sup>8</sup>.
2. The proposals submitted following the call for proposals shall be evaluated by the Commission assisted by independent experts on the basis of the award criteria of Article 10.

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<sup>8</sup> Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

3. The Commission shall award, after each call, the funding for selected actions, by means of an implementing act. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 16(2).

#### *Article 15*

##### Annual instalments

The Commission may divide budgetary commitments into annual instalments.

#### *Article 16*

##### Committee

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011. The European Defence Agency shall be invited as observer.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

#### *Article 17*

##### Monitoring and reporting

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.
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.

#### *Article 18*

##### Protection of Union financial interests

1. The Commission shall take appropriate measures to ensure that, when actions financed under this Regulation are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery or, where appropriate, the restitution of the amounts wrongly paid and, where appropriate, by effective, proportionate and dissuasive administrative and financial penalties.
2. The Commission and the Court of Auditors shall have the power of audit or, in the case of international organisations, the power of verification in accordance with agreements reached with them, on the basis of documents and on the spot, over all grant beneficiaries, contractors and subcontractors who have received Union funds under this Regulation.

3. The European Anti-Fraud Office (OLAF) may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council<sup>9</sup> and Council Regulation (Euratom, EC) No 2185/96<sup>10</sup>, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a grant agreement or grant decision or a contract funded under this Regulation.

*Article 19*

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation is binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

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<sup>9</sup> Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

<sup>10</sup> Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).



## LEGISLATIVE FINANCIAL STATEMENT

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
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  - 3.2.4. *Compatibility with the current multiannual financial framework*
  - 3.2.5. *Third-party contributions*
- 3.3. Estimated impact on revenue

## LEGISLATIVE FINANCIAL STATEMENT

### 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

#### 1.1. Title of the proposal/initiative

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.

#### 1.2. Policy area(s) concerned

Title 02 – Internal Market, Industry, Entrepreneurship and SMEs  
Chapter 02.07: European Defence Industrial Development Programme

#### 1.3. Nature of the proposal/initiative

- The proposal/initiative relates to **a new action**
- The proposal/initiative relates to **a new action following a pilot project/preparatory action**<sup>11</sup>
- The proposal/initiative relates to **the extension of an existing action**
- The proposal/initiative relates to **an action redirected towards a new action**

#### 1.4. Objective(s)

##### 1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The Defence industry is a major element of the Economy of the European Union and the European Defence Industrial Development Programme aims at enhancing its competitiveness and its innovation capability.

##### 1.4.2. *Specific objective(s)*

###### Specific Objective No 1

To foster the competitiveness of the defence industry

###### Specific Objective No 2

To support and leverage cooperation between undertakings in the development of defence products and technologies

###### Specific Objective No 3

To cover the gap between research and innovation and promote all forms of innovation.

<sup>11</sup> As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

### 1.4.3. *Expected result(s) and impact*

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

#### Expected results:

The programme will help create a collaborative approach between defence industrial players of the Member States. The financial contribution of the EU should contribute to unlock a number of development projects which otherwise would not be started considering their financing needs or the technological risks involved and should lead to additional collaborative defence development projects.

The increased cooperation is expected to reduce wasteful duplications, dispersions and create economies of scale. This will eventually lead to lower unit costs, benefiting to the Member States and having a positive effect on exports.

#### Expected impacts:

The development of defence projects directly or indirectly supported by the programme is expected to have a positive impact on the European Economy. Studies show that investments in the defence sector have significant positive multiplier effects on GDP, tax and employment, comparable to those of other key categories of public spending (transport, education, health). Research and Development in the defence sector is also at the origin of important spin-offs that benefit both the defence and the civil sectors.

The supply chain of the defence sector is widely made of SMEs' in particular through the supply chain of the main system integrators. The progressive blurring of the border between the defence and the civil sectors will also allow SMEs that are not traditionally active in the defence sector, to participate in particular in the field of electronics and software.

On a longer term, it is expected that defence projects bring benefits as regards jobs creations and skills.

### 1.4.4. *Indicators of results and impact*

*Specify the indicators for monitoring implementation of the proposal/initiative.*

Taking into consideration the short period of implementation, the results and impacts of the programme will be assessed under retrospective evaluation at the end of the programme implementation.

The Commission will ensure that the necessary indicators used for the monitoring of programme implementation will be put in place by the entity entrusted with the programme implementation. These will include:

- number of cooperative projects implemented
- total value of cooperative projects implemented and co-financing level
- number of companies involved as consortium members and their size (to monitor the SMEs' participation)
- number of Member States involved
- number of SMEs involved in projects under the programme

## 1.5. Grounds for the proposal/initiative

### 1.5.1. Requirement(s) to be met in the short or long term

The tasks of this proposal to be carried out will require the set-up of a consortium through an internal agreement as per article 9 of this Regulation together with the appointment of one member of this consortium as a coordinator.

The members of the consortium will need to prove their technical capacity to effectively manage the actions they are given, in particular due to the limited duration (2 years) of the programme.

The implementing body will need to be staffed with the appropriate technical, financial and legal experts to prepare the selection of grants, manage their follow-up, control the outsourced activities and prepare a high quality reporting to the management of the Commission.

The Commission will also need to be staffed with the appropriate experts in order to monitor effectively the work of the implementing body.

### 1.5.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

The EU right to act on is based on article 173 of the Treaty on the functioning of the European Union.

The defence industry projects are managed at a national level and the development phase is the most risky one. The European defence sector is suffering from low level of investment and is characterised by fragmentation along national borders leading to persistent duplications. Besides, a look at the defence industries available in the EU uncovers growing shortfalls, ageing technologies and a lack of new programmes, especially collaborative programmes. Cross border cooperation can help to better capture scale effects by reducing duplications and allowing for the development of the needed products and technologies.

Also the lack of coordination and coherence between Member States is a source of competitive disadvantage for the European defence industry vis-a-vis its international counterparts whilst it remains a major source of costs for the national budget and constitutes a significant impediment for the implementation of the Common Security and Defence Policy (CSDP).

Action at EU level will provide added-value by means of further stimulating industrial defence cooperation through positive incentives, targeting projects in the development phase of defence products and technologies that cannot be undertaken at national level in view of the costs and risks associated.

The support of the European Union will allow the defence industry to allocate the necessary funding to projects which are frequently beyond the means of a single country: the nature of these projects and their costs make a trans-national cooperation necessary.

The common technical specifications that will be legally required by the regulation will drive the Member States and their defence industry towards common standards, leading to a better and more efficient collaboration.

### 1.5.3. *Lessons learned from similar experiences in the past*

The Pilot project and the Preparatory Action on Defence Research with the EDA are programmes that can be considered similar: the return of experience on these programmes, in particular on the governance mode, will be used to define the management and follow-up of the European Defence Industrial Development Programme.

### 1.5.4. *Compatibility and possible synergy with other appropriate instruments*

Synergies are possible with other current defence project (for example the Preparatory Action with the European Defence Agency).

Synergies shall also be sought within the other directorates of the European Commission regarding research and innovation. The projects to be financed in support of the European Defence Industrial Development Programme may have, amongst others, an impact on transport, communications, and energy domains.

It is important to ensure that research and innovation programmes are coordinated by the Commission to maximise the return on investment.

## 1.6. **Duration and financial impact**

Proposal/initiative of **limited duration**

–  Proposal/initiative in effect from 1/01/2019 to 31/12/2020

–  Financial impact from 1/01/2018 to 31/12/2023

Proposal/initiative of **unlimited duration**

– Implementation with a start-up period from YYYY to YYYY,

– followed by full-scale operation.

## 1.7. **Management mode(s) planned<sup>12</sup>**

**Direct management** by the Commission

–  by its departments, including by its staff in the Union delegations;

–  by the executive agencies

**Shared management** with the Member States

**Indirect management** by entrusting budget implementation tasks to:

–  third countries or the bodies they have designated;

–  international organisations and their agencies (to be specified);

–  the EIB and the European Investment Fund;

–  bodies referred to in Articles 208 and 209 of the Financial Regulation;

–  public law bodies;

–  bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

<sup>12</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:

<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

#### Comments

The mode of indirect management is preferred in order to maximise the flexibility of the programme whilst giving the European Commission all means to control and monitor the programme and the use of funds.

## 2. MANAGEMENT MEASURES

### 2.1. Monitoring and reporting rules

*Specify frequency and conditions.*

In accordance with article 17 of the European Defence Industrial Development Programme regulation the Commission will regularly monitor the implementation of the programme and annually report on the progress made by examining the financial activities and assess achieved results.

To this end, the Commission will put in place necessary monitoring arrangements to ensure that relevant data from entities entrusted with the programme implementation, Member States or third parties are collected reliably and smoothly.

For task implemented under indirect management the Commission will ensure that efficient and effective monitoring and reporting procedures are embedded in the Delegation agreement and in the contracts/agreements signed by the entrusted entity with the selected beneficiaires.

The collected data should enable the Commission to report on the progress made in accordance with Article 38(3)(e) of Regulation 966/2012 and by reference to the specific objectives refered to in point 1.4.2 above.

### 2.2. Management and control system

#### 2.2.1. Risk(s) identified

The identified risks are:

Timetable Risk: Schedule issue, delays in implementation

Governance risk: Lack of cooperation between Member States and/or national industry

Financial risk: Cost management, Low absorption (delays), ineligible costs, etc.

Technical risks: Difficulties in specific development; Technical issues; Lower performance level

#### 2.2.2. Information concerning the internal control system set up

The funds will be managed indirectly via a Delegation Agreement.

Most of the funds are allocated via grants (second layer).

The implementing body will link the attribution of these grants to a periodic compulsory reporting to be provided by the beneficiaries through the coordinator of the consortium (article 9 of the regulation).

The contract or agreements that will be signed with the coordinator of the consortium will detail the obligations of the consortium and in particular the right for the Commission, in case of lack of or inadequate implementation of the actions or delays, to reduce, withhold or terminate its financial contribution.

The Commission will agree through the Delegation Agreement on the nature and frequency of this reporting:

- Compulsory reporting by the beneficiaries
- Desk checks on expenses
- Participation in periodic monitoring meetings (technical and management)

If need be, assistance of external technical experts will be requested when monitoring the implementation of the programmes. On the basis of the results of on-the-spot checks, the Commission will ensure that, if necessary, the scale or the conditions of allocation of the financial contribution originally approved and also the timetable for payments are adjusted.

Moreover, an audit strategy will be implemented to closely monitor the costs of the project.

2.2.3. *Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error*

The staff included under point 3.2.3.2 should be sufficient to control the implementation of the funds.

**2.3. Measures to prevent fraud and irregularities**

*Specify existing or envisaged prevention and protection measures.*

Article 18 of the proposal clarifies the competence of the European Anti-Fraud Office (OLAF) to carry out investigations on operations supported under this initiative.

Agreements resulting from this Regulation, including agreements concluded with participating third countries and international organisations, shall provide for supervision and financial control by the Commission, or any representative authorised by it, and audits by the Court of Auditors or OLAF, if necessary on-the-spot.

**3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

**3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected**

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
			from	from	from third	within the
		Diff./Non-				

		diff. <sup>13</sup>	EFTA countries <sup>14</sup>	candidate countries <sup>15</sup>	countries	meaning of Article 21(2)(b) of the Financial Regulation
		Diff	YES/NO	YES/NO	YES/NO	YES/NO
		Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

- New budget lines requested

*In order of multiannual financial framework headings and budget lines.*

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
		Diff./Non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	02.0701 European Defence Industrial Development Programme	Diff	NO	NO	NO	NO
	02.010405 – Support expenditure for European Defence Industrial Development Programme	Non-diff.	NO	NO	NO	NO

<sup>13</sup> Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

<sup>14</sup> EFTA: European Free Trade Association.

<sup>15</sup> Candidate countries and, where applicable, potential candidates from the Western Balkans.



### 3.2. Estimated impact on expenditure

The proposal will not increase the total level of expenditure programmed under Heading 1a of the Multiannual Financial Framework 2014-2020, 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.

EUR million (to three decimal places)

Sources of financing for the European Defence Industrial Development Programme	2019	2020	Total
CONNECTING EUROPE FACILITY, of which			145
32.020101 – Further integration of the internal energy market and the interoperability of electricity and gas networks across borders	20	20	40
32.020102 - Enhancing Union security of energy supply	20	20	40
32.020103 - Contributing to sustainable development and protection of the environment	20	20	40
09.0303 - Promoting interoperability, sustainable deployment, operation and upgrading of trans-European digital service infrastructures, as well as coordination at European level	10	15	25
EUROPEAN SATELLITE NAVIGATION PROGRAMMES (EGNOS and Galileo), of which			135
02.0501 – Developing and providing global satellite-based radio navigation infrastructures and services (Galileo) by 2020	80	50	130
02.0502 - Providing satellite-based services improving the performance of GPS to gradually cover the whole European Civil Aviation Conference (ECAC) region by 2020		5	5

(EGNOS)			
EUROPEAN EARTH OBSERVATION PROGRAMME, of which			15
02.0601 Delivering operational services relying on space- borne observations and in-situ data (Copernicus)	10	5	15
ITER, of which			80
32.050102 Construction, operation and exploitation of the ITER facilities – European Joint Undertaking for ITER — Fusion for Energy (F4E)	30	50	80
Unallocated margin, of which			125
Unallocated Margin	55	70	125

### 3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

<b>Heading of multiannual financial framework</b>	1A	Competitiveness for growth and jobs
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DG: GROW			2019	2020	2021	2022	2023	TOTAL
• Operational appropriations								
02.07 01	Commitments	(1)	244.7	254.5				<b>499.2</b>
	Payments	(2)	146.7	201.5	100	51	p.m	<b>499.2</b>
• Appropriations of an administrative nature financed from the envelope of specific programmes <sup>16</sup>								

<sup>16</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former ‘BA’ lines), indirect research, direct research.

02.01 04 05		(3)	0.3	0.5				<b>0.8</b>
<b>TOTAL appropriations for DG GROW</b>	Commitments	=1+1a +3	245	255				<b>500</b>
	Payments	=2+2a +3	147	202	100	51	p.m	<b>500</b>

• TOTAL operational appropriations	Commitments	(4)	244.7	254.5				<b>499.2</b>
	Payments	(5)	146.7	201.5	100	51	p.m	<b>499.2</b>
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.3	0.5				<b>0.8</b>
<b>TOTAL appropriations under HEADING 1 of the multiannual financial framework</b>	Commitments	=4+ 6	245	255				<b>500</b>
	Payments	=5+ 6	147	202	100	51	p.m	<b>500</b>

**If more than one heading is affected by the proposal / initiative:**

• TOTAL operational appropriations	Commitments	(4)						
	Payments	(5)						
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)						
<b>TOTAL appropriations under HEADINGS 1 to 4 of the multiannual financial framework (Reference amount)</b>	Commitments	=4+ 6						
	Payments	=5+ 6						

<b>Heading of multiannual financial framework</b>	<b>5</b>	‘Administrative expenditure’
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EUR million (to three decimal places)

		2018	2019	2020	2021	2022	2023	TOTAL
DG: GROW								
• Human resources		0.966	0.985	1.005				<b>2.956</b>
• Other administrative expenditure		0.199	0.249	0.249				<b>0.697</b>
<b>TOTAL DG GROW</b>	Appropriations	1.165	1.234	1.254				<b>3.653</b>

<b>TOTAL appropriations under HEADING 5 of the multiannual financial framework</b>	(Total commitments = Total payments)	1.165	1.234	1.254				<b>3.653</b>
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EUR million (to three decimal places)

		2018	2019	2020	2021	2022	2023	TOTAL
<b>TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework</b>	Commitments	1.165	246.234	256.254				<b>503.653</b>
	Payments	1.165	148.234	203.254	100	51		<b>503.653</b>

3.2.2. *Estimated impact on operational appropriations*

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs  ↓			2019		2020		TOTAL	
	OUTPUTS							
	Type <sup>17</sup>	Average cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVES <sup>18</sup>								
1- To foster the competitiveness of the defence industry								
2- To support and leverage cooperation between undertakings in the development of defence products and technologies								
3- To cover the gap between research and innovation and promote all forms of innovation								
- Output			2	244.7	1	254.5	3	499.2
Subtotal for specific objective No 1			2	244.7	1	254.5	3	499.2
<b>TOTAL COST</b>			<b>2</b>	<b>244.7</b>	<b>1</b>	<b>254.5</b>	<b>3</b>	<b>499.2</b>

<sup>17</sup> Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

<sup>18</sup> As described in point 1.4.2. ‘Specific objective(s)...’

### 3.2.3. Estimated impact on appropriations of an administrative nature

#### 3.2.3.1. Summary

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	2018	2019	2020	2021	2022	2023	TOTAL
--	------	------	------	------	------	------	-------

<b>HEADING 5 of the multiannual financial framework</b>							
Human resources	0.966	0.985	1.005				<b>2.956</b>
Other administrative expenditure	0.199	0.249	0.249				<b>0.697</b>
<b>Subtotal HEADING 5 of the multiannual financial framework</b>	<b>1.165</b>	<b>1.234</b>	<b>1.254</b>				<b>3.653</b>

<b>Outside HEADING 5<sup>19</sup> of the multiannual financial framework</b>							
Human resources							
Other expenditure of an administrative nature							
<b>Subtotal outside HEADING 5 of the multiannual financial framework</b>							

<b>TOTAL</b>	<b>1.165</b>	<b>1.234</b>	<b>1.254</b>				<b>3.653</b>
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

<sup>19</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

### 3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

*Estimate to be expressed in full time equivalent units*

	2018	2019	2020	2021	2022	2023
<b>• Establishment plan posts (officials and temporary staff)</b>						
02 01 01 01 (Headquarters and Commission's Representation Offices)	7	7	7			
XX 01 01 02 (Delegations)						
XX 01 05 01 (Indirect research)						
10 01 05 01 (Direct research)						
<b>• External staff (in Full Time Equivalent unit: FTE)<sup>20</sup></b>						
XX 01 02 01 (AC, END, INT from the 'global envelope')						
XX 01 02 02 (AC, AL, END, INT and JED in the delegations)						
<b>XX 01 04 yy<sup>21</sup></b>	- at Headquarters					
	- in Delegations					
<b>XX 01 05 02 (AC, END, INT - Indirect research)</b>						
10 01 05 02 (AC, END, INT - Direct research)						
Other budget lines (specify)						
<b>TOTAL</b>	<b>7</b>	<b>7</b>	<b>7</b>			

**XX** is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	<ul style="list-style-type: none"> <li>To define the needs and conceptually functional proposals</li> <li>To ensure security classification of data, set up and manage the necessary systems for handling confidential information</li> <li>To ensure the necessary legal drafting, prepare necessary impact assessments, programme proposals and Commission decisions</li> <li>To ensure the sound management of the programme and preparation of work programmes</li> <li>To support the evaluation and selection of grants</li> <li>To ensure sound financial monitoring and analysis of expenditures</li> <li>To monitor the action and analyse the technical progress</li> <li>To participate to major project meetings</li> <li>To report to management</li> </ul>
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<sup>20</sup> AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

<sup>21</sup> Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

External staff	
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3.2.4. *Compatibility with the current multiannual financial framework*

- The proposal/initiative is compatible the current multiannual financial framework.
- The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

The proposal will be funded from the specific budget lines:

02.0501 Developing and providing global satellite-based radio navigation infrastructures and services (Galileo) by 2020

02.0502 Providing satellite-based services improving the performance of GPS to gradually cover the whole European Civil Aviation Conference (ECAC) region by 2020 (EGNOS)

02.0601 Delivering operational services relying on space-borne observations and in-situ data (Copernicus)

32.050102 Construction, operation and exploitation of the ITER facilities — European Joint Undertaking for ITER — Fusion for Energy (F4E)

32.020101 – Further integration of the internal energy market and the interoperability of electricity and gas networks across borders

32.020102 - Enhancing Union security of energy supply

32.020103 - Contributing to sustainable development and protection of the environment

09.0303 - Promoting interoperability, sustainable deployment, operation and upgrading of trans-European digital service infrastructures, as well as coordination at European level

Unallocated Margin

- The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations co-financed								

### 3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
  - on own resources
  - on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative <sup>22</sup>					
		Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)	
Article .....							

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

<sup>22</sup>

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.