

**HEADING 1A: Competitiveness for growth and jobs****European Defence Industrial Development Programme****Lead DG: DEFIS****I. Overview*****What the programme is about?***

The European Defence Industrial Development Programme (EDIDP) was adopted on 18 July 2018 for a two-year duration. It aims to support the competitiveness and innovative capacity of the EU defence industry, specifically in the development of prototypes, by supporting through the EU budget development projects jointly carried out by companies.

The programme will help creating a collaborative approach between defence industrial players of the Member States. The financial contribution of the EU will unlock development projects that otherwise would not have started due to their financing needs or the technological risks involved, leading to additional collaborative defence development projects.

Only collaborative projects will be eligible, and a proportion of the overall budget will be earmarked for projects involving cross-border cooperation between SMEs.

***EU added value of the programme***

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

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 one. Cross border cooperation can help to better capture scale effects by reducing duplications and allowing for the development of the innovative products and technologies needed for defence capabilities.

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. At the same time, 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 and improve interoperability.

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 EU Member States.

The support of the European Union will allow the defence industry to allocate the necessary funding to projects that 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, and improve interoperability.

***Implementation mode***

The Programme is implemented by the Directorate-General for Defence Industry and Space (DEFIS) mainly in direct management through grants and, in exceptional circumstances, public procurement.

**II. Programme Implementation Update*****Implementation status (2017-2019)***

EDIDP has a financial envelope of EUR 500 million for the period from 1 January 2019 to 31 December 2020. It is still in its early days of operation with a first round of calls for project proposals launched in spring 2019.

The Work Programme setting the funding priorities for 2019-2020 has been adopted on 19 March 2019. The identified categories of projects target capabilities that involve multinational collaboration of undertakings and Member States throughout the Union. Some categories target large and complex capability development projects, such as the European Command and Control (C2) system or a European Galileo PRS navigation receiver. The Work Programme foresees to support two projects that could receive direct awards: €100 million to support the development of the Medium Altitude Long Endurance Remotely Piloted Aircraft System (MALE RPAS) and €37 million to support the development of interoperable and secure defence communication systems for operations (ESSOR). These two projects will be implemented under indirect management (through a limited delegation of budget tasks) by the Organisation for Joint Armament Co-operation (OCCAR), appointed by member states as programme manager. Following the adoption of the Work Plan, and in line with it, the Commission launched nine competitive calls for proposals with deadline for submission on 20 September 2019 and a further 12 calls have been launched in March 2020.

**Key achievements**

40 proposals have been received in answer to the nine competitive calls. This includes around 15 proposals for a specific SME call. The evaluation process is still ongoing.

**Evaluation/studies conducted**

On 7 June 2017, the Commission adopted the proposal of the programme accompanied by a Staff Working Document (SWD)<sup>1</sup>, which analysed the objectives and the challenges (problems and problem drivers) and offered options as to how to tackle the identified problems. The SWD highlighted the need for an EU initiative aimed at supporting the competitiveness and innovation capacity of the European defence industrial base that will allow strengthening European strategic autonomy and reducing dependencies for key defence competencies and capabilities.

The SWD pointed out that cooperation is an effective way to achieve this, since it is likely that in the long run no single European country can afford to maintain a full spectrum defence industrial base and corresponding defence capabilities on its own. The EU can make a substantive contribution to fostering defence cooperation schemes and provide targeted incentives to support legal entities in developing new defence products and technologies while bearing in mind the specificities of the defence market where solely Member States as end users create the demand.

The SWD concluded that the European defence industry faces significant challenges linked to low investments in defence development projects, fragmentation and lack of cooperation and that EDIDP will bring significant value added by incentivising collaboration and unlocking additional defence development projects. It will foster the competitiveness of the European defence industry whilst the expected benefits will outweigh the costs.

The EDIDP Regulation provides for the Commission to regularly monitor the implementation of the programme and report annually on progress in accordance with Article 38(3)(e) of Regulation (EU, Euratom) No 966/2012. Additionally, the Commission will draw a retrospective evaluation report to assess the progress towards the achievements of the objectives as set out in the EDIDP Regulation.

**Forthcoming implementation**

The priorities for 2020 are as follows:

1. Launching the EDIDP calls for 2020;
2. Adopting award decisions for the closed EDIDP calls for 2019 and signing the grant agreement with the beneficiaries;
3. Signature of a Contribution Agreement with OCCAR for ESSOR and MALE RPAS projects;
4. Preparing the work programmes for the success programme of the EDIDP; i.e. the European Defence Fund 2021-2027 and finalise the adoption by the co-legislators of the Regulation for the European Defence Fund 2021-2027.

**Outlook for the 2021-2027 period**

In 2018, the Commission adopted a proposal for a European Defence Fund (EDF) for the EU long-term budget for the period 2021-27. In preparation for this proposal, the Commission services carried out an impact assessment addressing the further implementation of the EDIDP after 2020. The Commission proposed a budget of EUR 13 billion for the European Defence Fund providing EUR 4.1 billion to directly finance competitive and collaborative research projects, in particular through grants and EUR 8.9 billion for development actions.

**III. Programme key facts and performance framework****1. Financial programming**

Legal Basis	Period of application	Reference Amount (EUR million)
Regulation (EU) 2018/1092 of the European Parliament and of the Council of 18 July 2018 establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovation capacity of the Union's defence industry	2019 - 2020	500,0

	Financial Programming (EUR million)							
	2014	2015	2016	2017	2018	2019	2020	Total Programme
Administrative support						1,8	0,5	2,2
Operational appropriations						243,2	254,5	497,8

<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52017SC0228>

Total						245,0	255,0	500,0
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**2. Implementation rates**

	2019				2020			
	CA	Impl. Rate	PA	Impl. Rate	CA	Impl. Rate	PA	Impl. Rate
Voted appropriations	245,000	100,00 %	1,800	7,21 %	255,000	0,04 %	200,500	0,14 %
Authorised appropriations (*)	245,000	100,00 %	1,800	7,21 %	255,000	0,04 %	202,167	0,14 %

(\*) Authorised appropriations include voted appropriations, appropriations originating from assigned revenues (internal and external) as well as carried-over and reconstituted appropriations; the execution rate is calculated on 15 April 2020

**3. Performance information**

**Programme performance**

The EDIDP Programme is designed to target the problems of the defence sectors identified in SWD (2017) 228 and its annexes accompanying the legislative proposal of the EDIDP.

Given that the Programme is in its very early days of implementation, no implementation report is available. In the same vein, given that the indicators are set at the level of funded projects and no projects have been selected yet for funding, at this stage of implementation (March 2020), it is not yet possible to report how the Programme is progressively delivering in addressing the identified problems.

The retrospective evaluation of the EDIDP will be aligned with the interim evaluation of the European Defence Fund 2021-2027 and take place after at least four years of start of the implementation of the latter.

*Specific Objectives*

**Specific objective 1:** To foster the competitiveness, efficiency and innovation capacity of the EU defence industry, by supporting actions in their development phase

**Indicator 1:** Total value of funded cooperative projects

Baseline	2014	2015	2016	2017	2018	2019	2020	Target
	Milestones foreseen							2020
						250	500	500
	Actual results							

*Expenditure related outputs*

DG DEFIS cannot provide any figures yet as the evaluation process for the first 2019 call for proposals is still ongoing. To be further updated in the course of 2020.

**Specific objective 2:** To support and leverage the cooperation between undertakings, including small and medium-sized enterprises and midcaps, and collaboration between Member States in the development of defence products or technologies.

**Indicator 1:** Average number of Member States in which the undertakings participating in a consortium receiving funding are established

Baseline	2014	2015	2016	2017	2018	2019	2020	Target
	Milestones foreseen							2020
						5	5	5
	Actual results							

**Indicator 2:** Average number of companies involved as consortium members in a funded cooperative project

Baseline	2014	2015	2016	2017	2018	2019	2020	Target
	Milestones foreseen							2020
						5	5	5
	Actual results							

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Indicator 3: Number of SMEs involved in projects funded								
Baseline	2014	2015	2016	2017	2018	2019	2020	Target
	Milestones foreseen							2020
						60	120	120
	Actual results							

**Expenditure related outputs**

See comment for specific objective 1.

**Specific objective 3:** To foster better exploitation of the results of defence research and contribute to closing the gaps between research and development.

Indicator 1: Share of the projects funded that involve prototyping								
Baseline	2014	2015	2016	2017	2018	2019	2020	Target
	Milestones foreseen							2020
						50%	50%	50%
	Actual results							

**Expenditure related outputs**

See comment for specific objective 1.