



Ministry of Economic Affairs
and Employment of Finland

Ministry of Economic Affairs and Employment
Finnish Committee on Industrial Participation, 1 November 2018

MULTIPLIERS TO BE APPLIED IN DETERMINING THE CREDITING VALUE OF TRANSACTIONS AND THE APPLICABLE GUIDELINES OF THE FINNISH COMMITTEE ON INDUSTRIAL PARTICIPATION

1. Background

The Ministry of Defence has decided to include a 30% obligation for industrial participation in two strategic defence procurements (Squadron 2020 and HX Fighter Programme). This is the first time the Rules on industrial participation in defence procurement in Finland of 1 January 2012 (revised on 25 April 2013, 11 May 2017 and 25 June 2018), adopted by the Ministry of Economic Affairs and Employment, will be applied to new obligations of industrial participation.

The Ministry of Defence will process and assess the plans for industrial participation without considering the question of multipliers. The applicability of multipliers will be decided later by the Finnish Committee on Industrial Participation. The tenderer/contractor may propose a multiplier of 1.5–3 for a project when it presents its claim to the Committee. However, all proposals for multipliers must always be based on sections 5.4. and 3.1.2. (b) of the Rules. This means that the party presenting a claim must justify its multiplier proposal and why a multiplier should be applied to determine the crediting value of the transaction in question.

2. Application of multipliers in practice

As these are the first industrial participation obligations since the entry into force of the EU's Defence and Security Procurement Directive (2009/81/EC), there is no previous application practice under the Rules on industrial participation in defence procurement in Finland (2012).

The Finnish Committee for Industrial Participation decides, at its discretion, on the application of a multiplier on a case-by-case basis. If the Committee deems it justified, it may apply a multiplier in the assessment of the value of a transaction referred to in section 3.1.2 (b) of the Rules (section 5.4). This section applies to indirect industrial participation that can be used to promote the technological development and internationalisation of small and medium-sized companies in the defence and security sector operating in areas of expertise and technology that are critical to national defence and state security. This means that the current Rules have only one category of multipliers as a distinction to earlier Rules that had multipliers for SMEs and for defence sector.

3. Committee's criteria for multipliers

The Committee will take the following criteria into account when considering the use of multipliers (1.5–3) in situations defined in the Rules. The Committee deems it important that multipliers be applied consistently.

1. The tenderer/contractor must propose multipliers separately and justify the use of multipliers under the relevant section of the Rules. Multipliers are possible only for indirect industrial participation.
2. The size of the Finnish partner, i.e., the Finnish enterprise that is the object of industrial participation, will be determined based on the EU's existing definition of small and medium-sized enterprises. As a rule, smaller enterprises have better chances of getting higher multipliers for their transaction.
3. The Committee will assess the extent and content of the transaction that is an object of industrial participation. Smaller transactions have better chances of getting higher multipliers.
4. The Committee will assess whether the transaction is within the priority areas for indirect industrial participation defined by the Defence Command.
5. Finnish enterprises must operate in areas of expertise and technology that are critical to national defence and state security.
6. The transaction must give the Finnish partner opportunities to advance its technological development and internationalisation.