



EUROPEAN COMMISSION

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C(2019) 162 final*

Dear President,

The Commission would like to thank the Senato della Repubblica for its Opinion on the proposal for a Regulation of the European Parliament and the Council establishing the European Defence Fund {COM(2018) 476 final}.

The Commission welcomes the support of the Senato della Repubblica and shares the view that it is important to strengthen the European defence capacity in the context of emerging challenges and to stimulate cooperation in the development of defence products and technologies within the European Union.

The objective of the European Defence Fund is to leverage the competitiveness of the sector by incentivising and supporting collaboration both between enterprises and between Member States. It should mitigate the existing inefficiency resulting from a significant fragmentation of the market, which, together with falling spending on defence, hampers the competitiveness of the European defence industry and increases its vulnerability to both internal and external threats. The systems, products and technologies will remain the property of developers; they will not be the property of the Union.

The Commission welcomes the importance given to supporting cooperation within the European Union and shares the opinion that the European Defence Fund should build upon the academic, research and industrial competences. It has the potential to boost the competitiveness of the European defence industry. The Commission also shares the view that the Fund should provide equal opportunities for all companies in the European Union and support actions throughout the entire supply chain, whilst encouraging the participation of medium-sized enterprises and collaborative projects.

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The Commission takes note of the call for paying particular attention to the production of dual use. The Commission has already taken actions and corresponding Union funding instruments¹ pertaining specifically to dual use. However, the Commission would like to stress that the European Defence Fund is targeted at supporting the research and development of defence products and technologies.

With regard to the request of the Senato della Repubblica to clarify the role of the United Kingdom in the Fund in the light of Brexit, the Commission would like to stress that this question can only be clarified through the results of the negotiations in the framework of Article 50 of the Treaty on the European Union.

Furthermore, as concerns more specific comments with regard to the European Defence Fund proposal, the Commission welcomes the position of the Senato della Repubblica in favour of supporting defence development projects involving at least three undertakings established in at least three Member States to ensure the widest collaboration possible.

The Commission also takes note of the position of the Senato della Repubblica in favour of the possibility for the beneficiaries and subcontractors, if there are no competitive substitutes readily available in the Union, to use their assets, infrastructure, facilities and resources located or held in the territory of a non-associated third country. However, the Commission would like to stress that in its proposal this derogation is only possible if strict conditions relating to the security and defence interests of the Union and its Member States are fulfilled.

The Senato della Repubblica suggests that the governance mechanism of the Fund should be clarified and the roles of the European Defence Agency and of the European External Action Service further specified. The Commission confirms the important role played by the European Defence Agency regarding the identification of European Union capability priorities, which could be supported by the European Defence Fund. Moreover, in order to benefit from the European Defence Agency's expertise in the defence sector, the proposal for the European Defence Fund foresees that the Agency will be given the status of an observer in the Programme Committee. The European External Action Service would also be invited to assist in the meetings.

Subsequently, the Commission takes note of the request of the Senato della Repubblica to further clarify the arrangements for access to ownership of the intellectual property arising from the funded action and its results, as well as the relationship between the Commission and the economic operators. It is important to stress that the proposal states that such information shall remain with the beneficiary and shall not be subject to control or restrictions by non-associated third countries or other non-associated third country entities during the action and for a specified period after its completion.

¹ *The European Structural and Investment Funds (ESIF), Horizon 2020, COSME and Erasmus+ programmes offer a range of opportunities to contribute to the design or implementation of action in the field of dual use.*

Additionally, the proposal provides that the Union shall not own the products resulting from development actions, nor shall it have any intellectual property rights regarding the results of the actions.

With regard to the request of the Senato della Repubblica to ensure an adequate and continuous financial coverage over time for the implementation of the actions foreseen under the Fund for the period 2021-2027, the Commission would like to point out that the budget foreseen for the European Defence Fund will be voted and hence safeguarded in the context of the next Multiannual Financial Framework and will thus be included in the appropriate expenditure budget line.

The Commission cannot but agree with the Senato della Repubblica on the need to strengthen cooperation amongst Member States as regards the defence industry area, with a view to improving the safety of the European citizens and to promoting cooperation with third countries.

The Senato della Repubblica also calls for the establishment of a system for the medium and long-term evaluation and monitoring of the results of the European Defence Fund, including the involvement of Member States and National Parliaments in these evaluations. The Commission would like to point out that the proposal includes setting indicators to monitor the implementation and progress of the Fund. It also foresees the possibility to adopt delegated acts leading to the review or complementing the indicators where necessary to supplement the regulation in the context of a monitoring and evaluation framework.

Finally, concerning the request of the Senato della Repubblica to maintain adequate attention to the shipbuilding sector, also in view of the particular geographical situation of Italy, the Commission notes that all sectors, including naval, will be considered appropriately during the implementation phase of the Fund and when preparing the Work programme. Furthermore, the European Defence Fund proposal makes clear that the objective of the Fund is to support collaborative development projects of defence products and technologies consistent with defence capability priorities commonly agreed by Member States within the framework of the Common Foreign and Security Policy.

Discussion between the co-legislators, the European Parliament and the Council, concerning the proposal are now underway and the Commission remains hopeful that an agreement will be reached in the near future.

The Commission looks forward to continuing the political dialogue with the Senato della Repubblica in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Elżbieta Bieńkowska
Member of the Commission*