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**CONTRIBUTION**

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From:	Latvian Delegation
To:	Friends of the Presidency Group on the European Defence Fund (EDF)
N° prev. doc.:	WK 11775 2018 REV 2
Subject:	LV comments on the 3rd Presidency Compromise Proposal

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Delegations will find attached the comments by Latvia on the 3rd Presidency Compromise Proposal.

## Latvian comments on the 3rd Presidency Compromise Proposal

### Article 12

Union funding shall be granted following competitive calls for proposals issued in accordance with the Financial Regulation. ~~In certain duly justified and exceptional circumstances, Union funding may also be granted in accordance with Article [195(e)] of the Financial Regulation.~~

#### Why:

Latvia strongly believes that open competition is essential for fostering innovation and ensuring that the allocated budget is dispersed transparently. Therefore, we would propose to delete the reference to the specific Article of the Financial Regulation that allows to award grants without open competition.

### Article 13

Each proposal shall be assessed on the basis of the following criteria:

(d) contribution to the autonomy of the European Defence Technological and Industrial Base, including by **the potential increase of the share of EU sources in the research and development of defence products** ~~reducing the dependency on non-EU sources~~ and strengthening **peacetime and wartime** security of supply, and to the security and defence interests of the Union in line with the priorities referred to in Article 3.

#### Why:

- (1) Latvia believes that the Fund shall build a solid ground for the further development of European Defence Technological and Industrial Base that would allow European defence industry to develop throughout the Union and to be (become) more competitive globally. Nevertheless, many EU countries have established successful defence cooperation with several partners outside the EU. Therefore, this regulation should not send messages to non-EU partners that could be misinterpreted as an economic protectionism and denial of the existing cooperation.
- (2) Latvia supports the inclusion of security of supply (SoS), however, we believe that the text should be strengthened and SoS application should be foreseen to both peacetime and wartime.

### Article 32

At the end of the implementation period but no later than four years after the 31 December 2027, a final evaluation of the Fund implementation shall be carried out by the Commission. The final evaluation report shall include the results of the implementation and to the extent possible given timing the impact of the Fund. The report -, building on relevant consultations of Member States and associated countries and key stakeholders -, shall notably assess the progress made towards the achievement of the objectives set out in Article 3. It shall also help identify **the share of the EU**

**sources in different areas of** defence products and technologies ~~where the Union is dependent on third countries for the development.~~ It shall also analyse cross-border participation, including of SMEs and mid-caps, in projects implemented under the Fund as well as the integration of SMEs and mid-caps in the global value chain. The evaluation shall also contain information on the countries of origin of the recipients and, where possible, the distribution of the generated intellectual property rights.

Why:

Additionally to the explanation given to the Article 13, it needs to be underlined that the share of non-EU sources does not necessarily create a dependency situation. Moreover, it can be a dependency that is being desired by both the Union and the non-EU partner. This information can be differently interpreted, should be only quantitatively measured, and therefore should not be attributed to the term “dependency”.