



Council of the  
European Union

003757/EU XXVII. GP  
Eingelangt am 21/11/19

Brussels, 21 November 2019  
(OR. en)

14418/19

POLMIL 119  
COMPET 762  
RECH 505  
CFSP/PESC 892  
CSDP/PSDC 543  
COPS 347  
EUMC 121  
ECOFIN 1067  
IND 290  
MI 805  
EMPL 581  
EDUC 463  
CADREFIN 384  
CODEC 1669

**NOTE**

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From: Danish delegation  
To: Council  
Subject: Competition in the European Defence Fund  
*Information from the Danish delegation*

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Delegations will find attached a note from the Danish delegation to the Council on Competition in the European Defence Fund with a view to the meeting of the Competitiveness Council on 28 November 2019.

## **Competition in the European Defence Fund**

Strong competition is essential for the success of the European Defence Fund (EDF) and its purpose of enhancing the European defence industries competitiveness. Involving the COMPET Council is necessary to ensure the development of a well-functioning Single Market for defence equipment through greater market openness and cross-border competition. In other words, achieving a successful implementation of the EDF aimed at enhancing competition requires involvement of COMPET council.

### **Experience from the EDIDP**

The EDF and EDIDP aim at increasing the innovation capacity and enhancing competition within the defence industry in the EU by improving the Single Market through providing strong support to the cross-border participation of SMEs and help create new market opportunities.

The EDIDP regulation states that competitive calls organised by the Commission should generally be the basis for selecting projects to receive funding from the Programme. Exceptions should only be made in duly justified cases and under exceptional circumstances. However, the first work programme of the EDIDP includes the option of directly awarding grants without a prior competitive call. Specifically, this was the case for two projects with a total amount of 137 million euros, equalling 27 percent of the total EDIDP budget. Awarding grants directly will not encourage market competition, which is important for the development of innovative solutions and creation of new market opportunities.

Competition, efficiency and innovation capacity of the defence industry are also fundamental objectives of the EDF, as included in the partial agreement of the European Parliament and of the Council of 19 February 2019. In order to ensure a well-functioning, innovative defence industry in the years to come, maintaining these objectives throughout the implementation process is vital. Therefore, we find it important not to set precedence that could put the European defence industry at a disadvantage going forward from 2021 and onwards.

## **Stronger involvement of the COMPET Council**

Recently, Denmark and 11 other Member States have through a joined non-paper called upon the EU Commission to adopt work programmes that establish competition for funds as a key principle.

Competition forces businesses to submit high-quality proposals at competitive budgets. In addition, a high level of cross-border involvement of companies, including SMEs and original equipment manufacturers, in all stages of the supply chains are key elements in developing an innovative and competitive European defence technological and industrial base. Without adhering to this key principle, the EDF will be in risk of failing to meet its objectives and in turn falling short the intention of enhance the competitiveness of the Europe's defence industry.

Denmark wishes to encourage reflections on the role of the COMPET in ensuring strong competition for the EDF funds, as this is necessary to achieve a successful implementation of the EDF – and more broadly – in ensuring the development of a well-functioning Single Market for defence equipment through greater openness and cross-border competition.