



*Brussels, 27.2.2018  
C(2018) 1104 final*

*Dear President,*

*The Commission would like to thank the Committees for Defence and for Productive Activities, Trade and Tourism of the Camera dei Deputati for their Opinion on the Commission proposal for a Regulation of the European Parliament and the Council establishing the European Defence Industrial Development Programme {COM(2017) 294 final} and on the Commission Communication 'Launching the European Defence Fund' {COM(2017) 295 final}.*

*The Commission welcomes the support expressed in the Opinion of the Committees and is pleased that they share the Commission's view about the importance of strengthening the European defence capacity in the context of emerging challenges and of stimulating cooperation in the development of defence products and technologies in the European Union.*

*Against this backdrop, the objective of the European Defence Industrial Development Programme is to leverage the competitiveness of the sector by incentivizing and supporting collaboration between enterprises and Member States. It should mitigate the existing inefficiency resulting from a significant fragmentation of the market, which, together with falling spending on defence, hamper the competitiveness of the European defence industry and render the Union more vulnerable to both internal and external threats.*

*The Commission welcomes the importance given to supporting cooperation within the European Union and shares the opinion that the European Defence Industrial Development Programme should provide equal opportunities for all companies in the European Union, irrespective of their size and location, including also universities and research organisations, which can provide an important contribution to innovation in the sector. The Commission also shares the view that the programme should provide a specific emphasis on actions enabling the cross-border participation of efficient, innovative and competitive small and medium-sized enterprises, including the role of sub-contractors. For this programme, which is limited to two years, the Commission has proposed to support defence development projects involving the collaboration of at least three undertakings established in at least two Member States. This approach is of course without prejudice to the position of the Commission on the future programmes regarding research and development.*

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*As the programme aims at enhancing the competitiveness of the Union's defence industry and considering also the strategic importance of the European defence industry for the security of the Union and its Member States and the need to ensure the security of sensitive information, the Commission proposal for a Regulation establishing the European Defence Industrial Development Programme foresees that the eligible entities should be limited to undertakings that are effectively controlled by European Union nationals or by Member States, and that the infrastructure, facilities, assets and resources used by the participants in the funded actions should be located on the territory of the European Union. This matter is currently being discussed by the two co-legislators and the Commission will analyse carefully any proposal to amend the draft Regulation.*

*The Commission would like to reassure the Committees that the redeployment of funds from the other European Union programmes that is foreseen to finance the European Defence Industrial Development Programme would not negatively affect the current development of these programmes and their capacity to produce planned deliverables and to reach their objectives. The redeployments represent very limited shares of the total envelopes of the programmes and are mainly made available because of previous savings and significant reserves being present.*

*The European Defence Action Plan refers to the treatment under the Stability and Growth Pact of "national capital contributions" as well as the provisions of guarantees to a financial structure that would be created under the European Defence Fund Capability Window for collaborative defence development and procurement. In this context, "national capital contributions" refer to equity participation in the capital of a future financial structure (e.g. a common financing vehicle or fund). As a general rule, acquisition of equity (including participation in the capital of independent international and supranational bodies) has no effect on deficit, because this is a financial transaction "below the line". However, the statistical authorities may conclude, after analysing the transaction, that it should be recorded as a capital transfer with deficit impact, for example if there is evidence that capital will be depleted over time.*

*Guarantees are contingent liabilities that have no deficit or debt impact until they are called or if there is evidence from the outset that such a call is very likely.*

*Discussions between the Commission and the co-legislators concerning the proposal will soon be underway once the European Parliament and Council have prepared their respective common positions.*

*The Commission looks forward to continuing the political dialogue with the Camera dei Deputati in the future.*

*Yours faithfully,*

*Frans Timmermans  
First Vice-President*

*Elżbieta Bienkowska  
Member of the Commission*