



Council of the
European Union

177589/EU XXVII. GP
Eingelangt am 18/03/24

Brussels, 18 March 2024
(OR. en)

7911/24

FIN 275

COVER NOTE

From:	Mr Johannes HAHN, Member of the European Commission
date of receipt:	18 March 2024
To:	Ms Alexia BERTRAND, President of the Council of the European Union
Subject:	Proposal for transfer of appropriations No DEC 05/2024 within Section III - Commission - of the general budget for 2024

Delegations will find attached Commission document DEC 05/2024.

Encl.: DEC 05/2024



BRUSSELS,

GENERAL BUDGET - 2024
SECTION III - COMMISSION TITLE: 13

TRANSFER OF APPROPRIATIONS N° DEC 05/2024

FROM

CHAPTER - 1306 Instrument for the reinforcement of European defence industry through common procurement

ARTICLE - 13 06 01 Instrument for the reinforcement of European defence industry through common procurement	Payments	-100 000 000,00
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TO

CHAPTER - 1307 Defence Industrial Reinforcement Instrument

ARTICLE - 13 07 01 Defence Industrial Reinforcement Instrument	Payments	100 000 000,00
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As a direct consequence of the Russian invasion in Ukraine, two short-term initiatives to reinforce the EU's Defence Technological and Industrial Base (EDTIB) in its transition to address the current geopolitical situation were adopted based on the Commission's proposals:

- Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) supporting collaboration between Member States in the procurement phase to fill the most urgent and critical gaps, and
- Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP) facilitating the ramp-up in ammunition production capacity.

The Commission identified a need to significantly reinforce the ASAP programme by EUR 100 million in payment appropriations. Considering the current geopolitical context and the urgent need to increase production capacities, the launch of actions under the ASAP programme was accelerated compared to the assumptions underpinning the Draft Budget 2024, which explains the identified shortfall of EUR 100 million of payment appropriation for ASAP.

The surplus in payment appropriations amounting to EUR 100 million is currently available under the EDIRPA programme and will not be needed this year.

I. DECREASE

I.1

a) Heading

13 06 01 – Instrument for the reinforcement of the European defence industry through common procurement

b) Figures at 12/03/2024

	Payments
1 Appropriations in budget (Initial Budget + AB)	100 000 000,00
2 Transfers	0,00
3 Total appropriations for the year (1+2)	100 000 000,00
4 Appropriations already used	0,00
5 Appropriations available (3-4)	100 000 000,00
6 Decrease proposed	100 000 000,00
7 Total appropriations up to year end (5-6)	0,00
8 Decrease as percentage of appropriations in budget (6/1)	100,00 %
9 Decrease, as a percentage of the final appropriations for the year, in the sum of transfers referred to in Article 30(1)(b) of the Financial Regulation	n/a

c) Receipts arising from recovery (carried over from previous year)

	Payments
1 Appropriations available at start of the year	0,00
2 Appropriations available on 12/03/2024	0,00
3 Implementation rate [(1-2)/1]	n/a

d) Detailed grounds for the decrease

During the preparation of the Draft Budget 2024, it was foreseen that the signature of EDIRPA grants and the corresponding payment of pre-financing would take place in late 2024. However, the time needed for the processing of the calls leads to the fact that these pre-financings will be paid only in early 2025, leaving the payment appropriations available for redeployment without any consequence on the implementation of EDIRPA.

II. INCREASE

II.1

a) Heading

13 07 01 - Defence Industrial Reinforcement Instrument

b) Figures at 12/03/2024

	Payments
1 Appropriations in budget (Initial Budget + AB)	78 500 000,00
2 Transfers	0,00
3 Total appropriations for the year (1+2)	78 500 000,00
4 Appropriations already used	0,00
5 Appropriations available (3-4)	78 500 000,00
6 Increase requested	100 000 000,00
7 Total appropriations up to year end (5+6)	178 500 000,00
8 Increase as percentage of appropriations in budget (6/1)	127,39 %
9 Increase, as a percentage of the final appropriations for the year, in the sum of transfers referred to in Article 30(1)(b) of the Financial Regulation	n/a

c) Receipts arising from recovery (carried over from previous year)

	Payments
1 Appropriations available at start of the year	0,00
2 Appropriations available on 12/03/2024	0,00
3 Implementation rate $[(1-2)/1]$	n/a

d) Detailed grounds for the increase

The voted budget for 2024 in payment appropriations amounts to EUR 78,5 million for the ASAP programme. At the time of the preparation of the Draft Budget 2024, it was foreseen that the short-term ASAP programme would be implemented through two calls for proposals launched over two years.

However, to enable an even faster ramping up of the production capacity of the European Defence Technological and Industrial Base, a single, larger call for proposal was launched in 2023 and all the ASAP grants are expected to be signed as of April 2024 for a total EU contribution estimated to EU 514 million. The estimated pre-financing to be paid (in 30 days after signature of the grant agreements) will be up to 35% of the maximum grant amounts, so a maximum amount of EUR 180 million. An increase of EUR 100 million in payment appropriations is therefore needed to enable those pre-financing payments in the second quarter of 2024.