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**PROPOSAL**

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	22 April 2025
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2025) 188 final
Subject:	Proposal for a Regulation of the European Parliament and the Council amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan

Delegations will find attached document COM(2025) 188 final.

Encl.: COM(2025) 188 final



EUROPEAN  
COMMISSION

Brussels, 22.4.2025  
COM(2025) 188 final

2025/0103 (COD)

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan**

(Text with EEA relevance)

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE PROPOSAL**

#### **• Reasons for and objectives of the proposal**

President Von der Leyen announced in the Political Guidelines that a new era for defence lies ahead of us. The EU will work in the next five years to build a true European Defence Union. The last decades have exposed a chronic underinvestment and lack of efficient spending in our military capabilities, affecting the production capacities of the European defence technological and industrial base (EDTIB) and its innovation potential, while fragmenting nationally the defence market. To frame this new approach and to identify the EU investment needs, the European Commission and the High Representative presented a Joint White Paper - European Defence Readiness 2030 on 19 March 2025.

The White Paper highlights that Member States face an acute and growing threat, requiring a coordinated reply in the spirit of solidarity. War, aggression and other hostile acts have been affecting the continent. The only way to ensure peace and deciding on the EU's own future is to have the readiness to deter these actions. This requires strengthening the Union's defence industry so that it can produce necessary equipment to deter potential aggressors. The EU has a strong foundation in terms of wealth and productive power to unleash resources and latent technological and industrial power. However, the current state of defence readiness is compromised by decades of under-investment in the sector, underscoring the need for a unified effort to strengthen EU defence posture.

To develop the necessary capabilities and military readiness to credibly deter armed aggression and secure the future of the EU, a massive increase in European defence spending is needed over a prolonged period. This requires a combined and sustained effort at the EU and Member States level to invest collectively in EU's defence. This will provide the Union's defence industry the long-term predictability it needs to invest in new production capacities.

The STEP Regulation supports EU's competitiveness and technological advantage. Support to the development and manufacturing of certain defence technologies is today possible under STEP, including AI, cybersecurity technologies or drones.

However, the EU must do more to support the urgent need to increase European defence investments with the EU budget.

Following President von der Leyen's letter on 4 March, addressed to the European Council, this proposal aims to extend the scope of STEP by introducing a fourth strategic sector covering all defence-related technologies and products, including those falling under the priority capability areas identified in the White Paper.

STEP could be thus leveraged to direct additional resources and investments into the defence sector, notably its technological and industrial base.

To that end, this proposal introduces modifications to the STEP Regulation, as well as to the regulations of other programmes covered by STEP: the European Defence Fund (EDF), the Digital Europe Programme (DEP) and Horizon Europe (HE). In addition, this proposal will also amend the regulation on supporting ammunition production (ASAP) and the Connecting Europe Facility (CEF) to further channel EU funds towards defence industry and technologies.

The EDF amendment aims to enable cumulation of funding between the EDF and other Union programmes for the same action and introduces the possibility to transfer resources allocated to Member States under cohesion policy funds to the EDF. ASAP is also amended to enable for similar transfers from Member States and to extend the applicability of the Regulation beyond 30 June 2025.

The DEP amendment stresses the support to dual-use actions as a general and specific objective of the instrument and the possibility to use the budget flexibility to support additional well focused investments for the competitiveness and strategic autonomy of the EU.

The Horizon Europe programme amendment will enable support to technologies with potential dual-use applications under the European Innovation Council (EIC) Accelerator, as well as equity support for technologies with a focus on defence applications for scale-up. Unused amounts and potential returns from investments made by the EIC Fund during the pilot phase under Horizon 2020 should be made available in order to finance additional projects in dual use and defence benefitting from the amended scope.

Thanks to this proposal, the Commission could also award STEP Seals<sup>1</sup> under HE, EDF and DEP to high potential projects in the defence sector, with the objective to attract funding from other sources (other EU funds, national funds, private or institutional investors).

The Commission proposed on 1 April 2025 to modify the European Regional Development Fund (ERDF)/Cohesion Fund (CF), Just Transition Fund (JTF) and European Social Fund + (ESF+) Regulations to further promote investments in defence as part of the mid-term review of Cohesion policy.

This proposal complements the mid-term review of Cohesion policy. The extension of the scope of STEP would allow investments on the development and manufacturing of critical technologies in defence to be supported under the existing STEP specific objectives in ERDF and CF. Similarly, skills relevant for the development/manufacturing of critical technologies in the defence sector could be supported also under STEP through the ESF+.

A coordinated approach at EU-level is needed to provide for seamless mobility for military personnel and equipment throughout Europe. CEF, as a centrally managed programme, can ensure the selection of military mobility projects with high EU added value and maturity for a fast and coordinated implementation across Member States, based on the military mobility corridors. CEF also guarantees the involvement of EU Military Staff in the selection of projects and that selected projects comply with the technical standards needed for dual-use transport infrastructure.

The proposal for the mid-term review of the Cohesion policy enables Member States to use current cohesion funding to invest in defence or dual use infrastructure to foster military mobility, benefiting from a pre-financing of 30% of the amounts programmed and the possibility to apply a Union financing of up to 100%. Those investments shall primarily focus on the four EU Priority Military Mobility Corridors. For investments in military mobility, the Communication accompanying the mid-term review of Cohesion policy encourages Member States to make use of the possibility to transfer resources allocated to them in shared management to CEF, while benefitting from the same advantageous pre- and co-financing

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<sup>1</sup> The STEP Seal is the Sovereignty Seal defined in Regulation (EU) 2024/795

rates as cohesion funding. An amendment to the CEF Regulation is proposed to facilitate this process.

The CEF programme amendment for the digital sector will enable the connected digital capacities required for the development of defence products and technologies, including connecting cloud, AI and AI Gigafactories.

- **Consistency with existing policy provisions in the policy area**

The proposal is consistent with the objectives followed by the EU programmes mentioned above and the cohesion policy funds. It provides targeted amendments of Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and (EU) 2024/795.

- **Consistency with other Union policies**

The proposal is limited to targeted amendments of Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and (EU) 2024/795 and maintains consistency with other Union policies.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

- **Legal basis**

The proposal is based on Articles 114, 164, 172, 173, 175, third paragraph, 176, 177, 178, 182, 183, 188, and 192 (1) of the Treaty on the Functioning of the European Union.

- **Subsidiarity (for non-exclusive competence)**

The proposal aims to encourage investments in defence by providing incentives, removing potential obstacles and ensuring greater flexibility and simplification. The same result cannot be achieved through actions at national level.

- **Proportionality**

The proposal aims at mobilising investments in defence and providing greater flexibility and simplification for accelerating investments. The measures do not go beyond what is necessary to achieve these goals.

- **Choice of the instrument**

A Regulation is the appropriate instrument as it provides directly applicable rules for the support and because amendments have to be introduced to existing Regulations.

## **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

- **Ex-post evaluations/fitness checks of existing legislation**

N/A

- **Stakeholder consultations**

N/A

- **Collection and use of expertise**

N/A

- **Impact assessment**

This proposal does not create a new instrument but is implemented through existing tools under the EU budget, which are amended to be able to better mobilise investment resources into defence. These existing instruments, such as Horizon Europe, Digital Europe Programme, the European Defence Fund or Connecting Europe Facility, have been subject to an impact assessment. This analysis, carried out in impact assessments or analytical staff working documents, covers the most significant impacts of this proposal. For these reasons, another impact assessment is not needed. Moreover, the limited and targeted changes do not require a separate impact assessment.

- **Regulatory fitness and simplification**

N/A

- **Fundamental rights**

N/A

#### **4. BUDGETARY IMPLICATIONS**

This initiative will be financed by existing resources, within the agreed envelopes of the programmes concerned and the allocated HR.

The proposal will reinforce the envelop of the EIC by EUR 210 million from the unused amounts and reflows of the EIC pilot of Horizon 2020.

#### **5. OTHER ELEMENTS**

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The implementation of the measure will be monitored and reported upon in the framework of the general reporting mechanisms established under each programme and fund.

- **Explanatory documents (for directives)**

N/A

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan**

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 114, 164, 172, 173, Article 175, third paragraph, Articles 176, 177 and 178, 182 183, 188, 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee<sup>2</sup>,

Having regard to the opinion of the Committee of the Regions<sup>3</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The unprecedented geopolitical instability and the rapid deterioration of regional and global threat levels require an urgent and significant step up of the Union spending on research and development, industrial capacity and development of infrastructures connected with security and defence. As identified in the Joint White Paper for European Defence Readiness 2030, the Union should do more to support the urgent need to increase European defence-related investments with the Union budget.
- (2) The Strategic Technologies for Europe Platform (STEP) established by Regulation (EU) 2024/795 of the European Parliament and of the Council<sup>4</sup> is an initiative aimed at boosting Union competitiveness by mobilizing funds from 11 existing Union programmes towards critical technologies in 3 strategic sectors: digital technologies and deep tech innovation, clean and resource-efficient technologies, and biotechnologies. As such, it is a good vehicle to mobilise, in a coordinated and synergetic manner, Union resources towards defence, including key digital frontier technologies required for the development of defence products and technologies.

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<sup>2</sup> OJ C , , p. .

<sup>3</sup> OJ C , , p. .

<sup>4</sup> Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241 (OJ L, 2024/795, 29.2.2024, ELI: <http://data.europa.eu/eli/reg/2024/795/oj>)

- (3) While support to technologies having defence implications is possible today under the 3 existing strategic sectors identified in STEP, it appears necessary to increase the potentialities of development of research, industry and innovation in the defence area by setting out a fourth strategic sector in STEP focussed on defence technologies. This new strategic sector should ensure that the STEP incentives are used to increase Union funding in defence technologies and contribute to European competitiveness in line with STEP objectives. Defence technologies should be understood as those referred to in the Annex to Directive 2009/43/EC and include, in particular, technologies in the areas identified by the European Council on March 6<sup>th</sup> 2025, namely: air and missile defence, artillery systems, including deep precision strike capabilities, missiles and ammunition, drones and anti-drone systems, strategic enablers, including in relation to space and critical infrastructure protection, military mobility, cyber, artificial intelligence and electronic warfare. As regards artificial intelligence, AI Gigafactories should become key infrastructures to expand rapidly the power of AI in defence technologies.
- (4) In addition, in order to optimise the capacity of the programmes covered by STEP to mobilize Union's resources towards defence, it is necessary to clarify that these programmes can pursue objectives and activities that are related to improving the competitiveness of the European Defence Technological and Industrial basis (EDTIB) as well as research and development activities in the defence field.
- (5) Horizon Europe established by Regulation (EU) 2021/695 of the European Parliament and of the Council<sup>5</sup> is the Union's key funding programme for research and innovation. The European Innovation Council (EIC) Accelerator established by that Regulation provides support, in particular, for innovations with breakthrough potential and of a disruptive nature with scale-up potential that may be too risky for private investors. SMEs operating within the defence sector require financing for the commercialization of innovative products. However, these companies face higher barriers to access finance compared to SMEs in other sectors. Whereas the support to defence research and development is done through the European Defence Fund (EDF), which is a specific programme of Horizon Europe, it is appropriate to open the EIC Accelerator for actions with potential dual-use applications. Support to scale-up under the EIC Accelerator should also be extended to non-bankable SMEs, including start-ups and non-bankable small mid-caps, including entities which have already received support from the Accelerator carrying out breakthrough and disruptive non-bankable innovation with a focus on defence applications. This justifies a targeted exception to the principle set out in Article 7(1) of Regulation (EU) 2021/695 of the European Parliament and of the Council according to which research and innovation activities under Horizon Europe have an exclusive focus on civil applications while not undermining the objective of ensuring unnecessary duplications.
- (6) Moreover, to ensure that appropriate resources are directed to the funding of dual use and defence projects under Horizon Europe it is appropriate to derogate to Article 212(3) of the Financial Regulation in order to ensure that repayments, including reimbursed advances, revenues and unused amounts net of fees and costs of EIC blended finance investment component of the EIC pilot under Horizon 2020 are not

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<sup>5</sup> Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (OJ L 170 12.5.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/695/2024-03-01>)



directed to the Union budget but reinvested in the EIC Fund in order to finance additional projects in dual use and defence benefitting from the amended scope . The timeframe set out in Article 212(3) of the Financial Regulation should also be adapted, by inserting a derogation, to allow for that possibility.

- (7) The European Defence Fund (EDF) set out in Regulation (EU) 2021/697 of the European Parliament and of the Council<sup>6</sup>, is the leading programme for enhancing the competitiveness, innovation, efficiency and technological autonomy of the Union's defence industry. The EDF also aims at supporting actions that are conducive to developing disruptive technologies for defence. In order to better address the specificities of such actions, such as their small scale or their need for a quick support, it is appropriate to simplify the procedures to decide on the support of these actions while in the same time framing the conditions for the decision on such a support in the work programme. .
- (8) It is also necessary to exploit synergies between EDF and other Union programmes. To that purpose, it should be possible for Member States, European Union institutions, bodies and agencies, third countries, international financial institutions or other third parties to provide voluntary contributions to the Programme, as external assigned revenues. Voluntary transfers of resources allocated to Member States in shared management to the EDF and the combination of contributions from EDF with other Union programmes for specific actions should be possible, provided that the cumulative Union support does not exceed the total eligible costs of the action.
- (9) The Digital Europe Programme (DEP) established by Regulation (EU) 2021/694 of the European Parliament and of the Council<sup>7</sup> aims to support and accelerate the digital transformation of the European economy, industry and society and to improve the competitiveness of Europe in the global digital economy. In this context, the programme should also aim at supporting, in particular, projects, services and competences with potential dual-use application under all its specific objectives.
- (10) To enhance technological sovereignty and competitiveness, the Union needs the computing, cloud and data infrastructures that AI leadership requires. As part of the AI Continent strategy, the AI factories and Gigafactories are essential for the Union to be able to compete on the global level and ensure its strategic autonomy and competitiveness in science, dual use research and in critical industrial sectors, including the defence industry. Such next-generation models require extensive connected computing infrastructure for breakthroughs in specific domains including defence. It is therefore appropriate to add, in the Specific Objective 1 – High Performance Computing of DEP, a supplementary operational objective dedicated to the deployment and operation of AI Factories and new generation of IA Gigafactories specialised in developing, training, and running the most complex, very large, AI models and applications, including hardware and software necessary for such deployment.

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<sup>6</sup> Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092 (OJ L 170 12.5.2021, p. 149, ELI: <http://data.europa.eu/eli/reg/2021/697/2024-03-01>).

<sup>7</sup> Regulation (EU) 2021/694 of the European Parliament and of the Council of 29 April 2021 establishing the Digital Europe Programme and repealing Decision (EU) 2015/2240 (OJ L 166 11.5.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/694/2023-09-21>)

- (11) In the specific Objective 5 of DEP – Deployment and Best Use of Digital Capacity and interoperability, it is also necessary to add, in the operational objective defined to support the public sector and areas of public interest, a reference to defence in order to clarify that the financial contribution of the Union under such an Objective can be extended to that sector.
- (12) It is also necessary to adapt the eligibility rules that might be set out in the work programme of DEP so that it is possible to provide that legal entities established in associated countries and legal entities that are established in the Union but are controlled from third countries are not eligible to participate in all or some actions focused on technologies with dual-use potential under any specific objective. In such cases, calls for proposals and calls for tenders should be restricted to legal entities established or deemed to be established in Member States and controlled by Member States or by nationals of Member States.
- (13) Regulation (EU) 2023/1525 of the European Parliament and of the Council supporting ammunition production (ASAP)<sup>8</sup> was adopted to financially support the urgent strengthening of the EDTIB responsiveness and ability to ensure the timely availability and supply of ground-to-ground and artillery ammunition as well as missiles. Voluntary transfers of resources allocated to Member States in shared management to the ASAP instrument as well as additional voluntary contributions from Member States or other relevant stakeholders should contribute to pursue the support to ramping up the Union's manufacturing capacities beyond 30 June 2025. Regulation (EU) 2023/1525 should therefore be amended to introduce such a possibility. Since that Regulation has shown its usefulness to develop new production capacities of powder/propellant, explosives, shells, testing capacity, and missiles all across the Union, it is appropriate to ensure that its application is extended until 31 December 2026.
- (14) The Connecting Europe Facility (CEF) set out in Regulation (EU) 2021/1153 of the European Parliament and of the Council,<sup>9</sup> aims to accelerate investment in the field of trans-European networks, enabling synergies between the transport, energy and digital sectors. In order to support the connected computing infrastructure required by defence products and technologies and beyond these areas, the objectives of the CEF digital sector within that Regulation should be extended to the deployment and provision of digital capacities such as cloud, AI and AI Gigafactories.
- (15) Military mobility is also one of the objectives of the CEF programme. The Joint White Paper for European Defence Readiness 2030 recognised military mobility as an essential enabler for European security and defence and stressed the Union added-value in supporting dual-use infrastructure for mobility. The mid-term review of the European Regional Development Fund (ERDF) and the Cohesion Fund both established by Regulation (EU) 2021/1058 of the European Parliament and of the

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<sup>8</sup> Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP) (OJ L 185, 24.7.2023, p. 7–25, ELI: <http://data.europa.eu/eli/reg/2023/1525/oj>)

<sup>9</sup> Regulation (EU) 2021/1153 of the European Parliament and of the Council of 7 July 2021 establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014 (OJ L 249 14.7.2021, p. 38, ELI: <http://data.europa.eu/eli/reg/2021/1153/2024-07-18>)

Council<sup>10</sup> introduced the possibility to invest in defence or dual use infrastructure to foster military mobility benefiting from a pre-financing of 30% of the amounts programmed and the possibility to apply a Union financing of up to 100%. In cases where Member States transfer resources allocated to them in shared management to CEF they should benefit from the same conditions on pre-financing and co-financing for dual-use transport infrastructure projects as introduced in the ERDF and Cohesion Fund. In such a case, these amounts should be reserved to projects developing the Military Mobility corridors as identified by the Member States in Military Requirements for Military Mobility within and beyond the Union as well as digital connectivity and capacities..

- (16) Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and (EU) 2024/795 should therefore be amended accordingly.
- (17) Given the urgent need to enable crucial investments in defence in the context of pressing geopolitical challenges, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union.
- (18) Since the objective of this Regulation, namely to strengthen research and development activities in dual use and defence, improve the competitiveness of the Union's defence industry and therefore contribute to the Union's defence by refocusing investments of these critical priorities, cannot be sufficiently achieved by the Member States, but can rather be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 TEU. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

#### *Article 1*

Regulation (EU) 2021/694 [Digital Europe Programme] is amended as follows:

- (1) in Article 3 (1), second subparagraph, the following point is added:  
‘(c) support dual-use projects, services, competences and applications.’;
- (2) in Article 4 (1) the following point is added:  
‘(d) deploy and operate AI Factories and new generation AI Gigafactories specialised in developing, training, and running the most complex, very large, AI models and applications, including hardware and software necessary for such deployment.’;
- (3) in Article 8 (1), point (a) is replaced by the following:  
‘(a) support the public sector and areas of public interest, such as health and care, education, judiciary, customs, defence, transport, mobility, energy, environment, cultural and creative sectors, including relevant businesses established within the Union, to effectively deploy and access state-of-the-art digital technologies, such as HPC, quantum, AI and cybersecurity.’;
- (4) in Article 12, paragraph 5 is replaced by the following:

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<sup>10</sup> Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (OJ L 231 30.6.2021, p. 60, ELI: <http://data.europa.eu/eli/reg/2021/1058/2024-12-24>)

‘5. The work programme may also provide that legal entities established in associated countries and legal entities that are established in the Union but are controlled from third countries are not eligible to participate in all or some actions under Specific Objective 3 for duly justified security reasons, and in actions focused on technologies with dual-use potential under any specific objective. In such cases, calls for proposals and calls for tenders shall be restricted to legal entities established or deemed to be established in Member States and controlled by Member States or by nationals of Member States. Such restrictions may be applied to access to the capacities deployed under such calls.’

## *Article 2*

Regulation (EU) 2021/695 [Horizon Europe] is amended as follows:

- (1) In Article 46, the following paragraph 4a is inserted:

‘4a. By derogation from Article 212(3) of the Financial Regulation, repayments including reimbursed advances, revenues and unused amounts net of fees and costs of EIC blended finance of the EIC pilot under Horizon 2020 shall be considered to be internal assigned revenues in accordance with Article 21(3), point (f) and Article 21(4) and (5) of the Financial Regulation and the time restriction of two years set out in the second subparagraph of Article 212(3) of the Financial Regulation shall apply as from [date of entry into force of this Regulation].’
- (2) Article 48(1), second subparagraph is amended as follows:
  - (a) in point (a), the following sentence is added:

‘As an exception to Article 7(1), such support may include potential dual-use applications.’;
  - (b) in point (b) the following sentence is added:

‘As an exception to Article 7(1), such support may include potential dual-use applications.’;
  - (c) in point (c), the following sentence is added:

‘As an exception to Article 7(1), such support may include potential dual-use applications.’;
  - (d) in point (d), the following sentence is added:

‘As an exception to Article 7(1), such support may include innovation in critical technologies with focus on defence applications.’;

## *Article 3*

Regulation (EU) 2021/697 [European Defence Fund] is amended as follows:

- (1) Article 6 is replaced by the following:

## *Article 6*

### **Support for disruptive technologies for defence**

1. The Commission shall support actions that are conducive to developing disruptive technologies for defence in the areas of intervention defined in the work programmes referred to in Article 24.
  2. The work programmes shall lay down the most appropriate forms of funding, selection and award criteria and procedures, and implementation for disruptive technologies for defence.’;
- (2) the following Article is inserted:

## *Article 8a*

### **Cumulative funding and transfers of resources**

1. An action that has received a contribution from another Union programme may also receive a contribution under the Programme, provided that the contributions do not cover the same costs. The rules of the relevant Union programme shall apply to the corresponding contribution to the action. The support from the different Union programmes may be calculated on a pro-rata basis in accordance with the documents setting out the conditions for support.
2. Resources allocated to Member States under shared management may, at the request of the Member State concerned, be transferred to the Programme subject to the conditions set out in the relevant provisions of Regulation (EU) 2021/1060 for 2021-2027. The Commission shall implement those resources directly in accordance with point (a) of the first subparagraph of Article 62(1) of the Financial Regulation or indirectly in accordance with point (c) of that subparagraph. Such resources shall be used for the benefit of the Member State concerned.  
  
Resources transferred in accordance to paragraph 2 of this Article may, by derogation from Article 13(2) of this Regulation, be used for the purpose of contributing to the funding of eligible actions under Article 10 of this Regulation up to 100 % of the eligible costs.
3. Where the Commission has not entered into a legal commitment under direct or indirect management for resources transferred in accordance with paragraph 3 and at the latest by 30 September 2027, the corresponding uncommitted resources may be transferred back to one or more respective source programmes, at the request of the Member State concerned, in accordance with the conditions set out in the relevant provisions of Regulation (EU) 2021/1060.
4. Member States, European Union institutions, bodies and agencies, third countries, international organisations, international financial institutions or other third parties, may provide additional financial contributions to the Programme. Such financial contributions shall constitute external assigned revenue within the meaning of Article 21(2), points (a), (d), or (e) or Article 21(5) of the Financial Regulation.’;

## *Article 4*

Regulation (EU) 2021/1153 [Connecting Europe Facility] is amended as follows:

- (1) Article 3(2) is amended as follows:

(c) point (c) is replaced by the following:

‘(c ) in the digital sector: to contribute to the development of projects of common interest relating to the deployment of and access to safe and secure very high capacity networks, including 5G systems, to the set-up and deployment of digital capacities such as cloud, AI and AI Gigafactories, to the increased resilience and capacity of digital backbone networks on Union territories by linking them to neighbouring territories, as well as to the digitalisation of transport and energy networks.’;

- (2) in Article 8(4), the following point (f) is added:

‘(f) projects of common interest contributing to the set-up and deployment or significant upgrade of digital capacities, including cloud, AI and AI Gigafactories shall be prioritized according to the extent they significantly contribute to improve the performance, resilience and security of transport, energy and digital infrastructures that are critical for the implementation of the internal market.’;

- (3) in Article 9(4), the following point (f) is added:

‘(f) actions supporting the set-up and deployment of digital capacities in cloud, AI and AI Gigafactories.’;

- (4) in Article 15 (2), the following point (ba) is added:

‘(ba) Subject to the transfer of the necessary resources to the CEF in the context of the mid-term review of programmes supported by the European Regional Development Fund and Cohesion Fund [add legal reference to Regulation adopted pursuant to COM(2025)123, 2025/0084 (COD)], pursuant to Article 4(13), for works relating to the specific objectives referred to in Article 3(2), point (a)(ii), the following conditions apply:

- (i) co-financing rates may be increased to a maximum of 100%;
- (ii) actions are entitled to a pre-financing payment representing at least 30% of the amount allocated in the grant agreement;
- (iii) actions shall be located on one or more of the four EU Priority Military Mobility Corridors identified by Member States in Annex II to the Military Requirements for Military Mobility within and beyond the Union, as adopted by the Council on [18 March 2025 and with reference ST 6728/25 ADD1] and shall comply with the infrastructure requirements as set out in Commission Implementing Regulation (EU) 2021/1328.

#### *Article 5*

Regulation (EU) 2023/1525 [ASAP] is amended as follows:

- (1) in Article 6, the following paragraphs are inserted:

‘3a. Member States, Union institutions, bodies and agencies, third countries, international organisations, international financial institutions or other third parties, may provide additional financial contributions to the Instrument. Such financial contributions shall constitute external assigned revenue within the meaning of Article 21(2), points (a), (d) or (e), or Article 21(5) of the Financial Regulation.

3b. Resources allocated to Member States under shared management may, at the request of the Member States concerned, be transferred to the Instrument subject to the conditions set out in the relevant provisions of Regulation (EU) 2021/1060. The Commission shall implement those resources directly in accordance with Article 62(1), first subparagraph, point (a), of the Financial Regulation or indirectly in accordance with point (c) of that subparagraph. Such resources shall be used for the benefit of the Member State concerned.

3c. Resources transferred in accordance to paragraph 3b of this Article may, by derogation from Article 19c(6) of this Regulation, be used for the purpose of contributing to the funding of eligible actions under Article 13 of this Regulation up to 100 % of the eligible costs.

3d. Where the Commission has not entered into a legal commitment under direct or indirect management for resources transferred in accordance with paragraph 3 and at the latest by 30 September 2027, the corresponding uncommitted resources may be transferred back to one or more respective source programmes, at the request of the Member State concerned, in accordance with the conditions set out in the relevant provisions of Regulation (EU) 2021/1060.’

(2) in Article 24, the second paragraph is replaced by the following:

‘This Regulation shall apply until 31 December 2026. That shall not affect the continuation or modification of actions initiated pursuant to this Regulation or any actions necessary to protect the financial interests of the Union.’

#### *Article 6*

In Article 2(1), point (a) of Regulation (EU) 2024/795, [Strategic Technologies for Europe Platform (STEP)] the following point is added:

‘(iv) defence technologies;’

#### *Article 7*

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

## **LEGISLATIVE FINANCIAL AND DIGITAL STATEMENT**

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## 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

### 1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council Amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795 as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan.

### 1.2. Policy area(s) concerned

A new era for European Defence and Security

### 1.3. Objective(s)

#### 1.3.1. General objective(s)

To incentivise defence-related investments in the EU budget and strengthen the EU's defence industry and technological base in line with the ReArm Europe Plan.

#### 1.3.2. Specific objective(s)

- To enable the extension of the Strategic Technologies for Europe Platform (STEP) to cover defence-related technologies and products, and to strengthen the EU's strategic autonomy in the defence sector.
- To amend the European Defence Fund (EDF) to 1) better exploit synergies with other Union programmes by allowing for the combination of EDF contributions with other Union programmes for specific actions; 2) allowing for voluntary transfers of resources allocated to Member States in shared management to the EDF ; 3) streamline the evaluation and funding process the development of disruptive technologies for defence..
- To amend the Act in Support of Ammunition Production (ASAP) Regulation to 1) introduce the possibility of voluntary transfers of resources allocated to Member States in shared management to ASAP, as well as additional voluntary contributions from Member States or other relevant stakeholders; 2) extend the application of the ASAP Regulation until 31 December 2026 to ensure continued support for the development of new production capacities for ammunition and related products.
- To amend the Digital Europe Programme (DEP) to enhance its focus on strategic autonomy and competitiveness, and better support dual-use technologies and applications. This includes the deployment of digital infrastructure such as artificial intelligence, high-performance computing, and cybersecurity, e.g. through the development of AI Factories and Gigafactories. The amendment will also ensure that the programme's funding is used in a way that aligns with the EU's strategic interests, including by adapting eligibility rules for dual-use actions.
- To amend Horizon Europe to enable support to projects with potential dual-use applications under the European Innovation Council (EIC) Accelerator, as well as projects with a focus on defence applications under the EIC STEP scale-up.
- To amend the Connecting Europe Facility (CEF) to extend its digital sector objectives to include the deployment and provision of digital capacities such as

cloud, AI, and AI Gigafactories, and to contribute to the development of projects of common interest relating to efficient, interconnected and multimodal networks and infrastructure for smart, interoperable, sustainable, inclusive, accessible, safe and secure mobility in accordance with the objectives of Regulation (EU) No 1315/2013.

### 1.3.3. *Expected result(s) and impact*

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

The proposed mini-omnibus regulation is expected to have the following effects on the beneficiaries and groups targeted:

Increased investments in defence: the proposal will provide Member States with more flexibility to use the EU budget to address their defence needs, leading to a significant increase in defence investments, in line with the objectives of the ReArm Europe Plan.

Enhanced European defence technological and industrial base (EDTIB): by supporting the development of defence and dual-use technologies, the proposal will enable the EU to reduce its dependence on non-EU suppliers and strengthen its strategic autonomy, ultimately strengthening the EDTIB.

Improved military readiness, capabilities, and mobility: the proposal will enable Member States to meet their defence capability gaps, develop the necessary military readiness to credibly deter armed aggression, and enhance military mobility across the continent, including through the development of Military Mobility corridors. The new pre- and co-financing rates for dual-use transport infrastructure projects should serve as incentives for Member States to transfer resources from shared management to CEF, enabling a coordinated approach to military mobility investments across Member States and contributing to the objectives of the Joint White Paper for European Defence Readiness 2030.

Support to SMEs and start-ups: by opening the European Innovation Council (EIC) Accelerator and EIC Scale Up to dual-use and defence technologies, the proposal will promote innovation and competitiveness in the EU, strengthen the EDTIB, and provide opportunities for SMEs and start-ups to develop and grow.

Increased synergies with other sectors: the proposal will facilitate increased synergies between defence and other sectors, such as digital, by enabling the financing of initiatives like AI Factories and AI Gigafactories, as well as dual-use projects with potential spill-over effects for innovation and competitiveness in areas like research, technology, and industry.

These expected results and impacts will benefit **various stakeholders**, including:

- Member States, by providing greater flexibility to use EU funding in support of security and defence
- The EU defence industry, including SMEs and start-ups, by providing opportunities for growth and innovation and strengthening the EDTIB.
- EU citizens, by contributing to peace, security and strategic autonomy

### 1.3.4. *Indicators of performance*

*Specify the indicators for monitoring progress and achievements.*

Specific Objective	Indicator
Enhanced European defence technological and industrial base (EDTIB) and supply chain resilience	Number of defence projects supported by STEP
Improved military mobility	Number of transport infrastructure components adapted to dual-use requirements
Support to defence innovation	Time reduction in evaluation and award of EDF projects related to disruptive technologies for defence
Support to SMEs and start-ups developing dual use and defence technologies	Number of defence and dual use SMEs and start-ups receiving funding through the European Innovation Council (EIC) Accelerator and EIC STEP Scale Up
Increased synergies with other sectors, such as digital	Number of projects funded through DEP that have a dual-use or defence component

#### 1.4. The proposal/initiative relates to:

- ☐ a new action
- ☐ a new action following a pilot project / preparatory action<sup>11</sup>
- ☒ the extension of an existing action
- ☐ a merger or redirection of one or more actions towards another/a new action

#### 1.5. Grounds for the proposal/initiative

##### 1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The proposal aims to address the need for increased and swift investments in defence and the development of a strong and competitive EDTIB, in line with the ReArm Europe Plan. It aims to introduce changes to existing EU programmes, including STEP, Horizon Europe, EDF, ASAP, DEP, and CEF, to support defence and dual-use initiatives. The targeted amendments to EU Regulations will take effect immediately following the adoption of the proposed Regulation. Where relevant, they should be taken into account for the preparation and/or amendment of existing Work Programmes of relevant initiatives (Horizon Europe, CEF, DEP, STEP, EDF). This will enable the launch of new calls for proposals and the selection of projects that align with the EU and MS defence and security objectives.

##### **Timeline for implementation:**

The implementation timeline for the mini-omnibus regulation will be influenced by the existing programme cycles and the need to incorporate the changes into the respective work programmes. For most programmes, the changes are expected to be introduced in the next available work programme, with the first calls for proposals launched shortly thereafter.

<sup>11</sup> As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

For amendments that introduce the possibility for Member States to channel cohesion policy funds towards defence-related investments (including CEF, STEP, EDF, ASAP), in order to benefit from the additional pre-financing of 30% of the amounts programmed, Member States should submit their programme amendments by the end of 2025.

- 1.5.2. *Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.*

The added value of EU action lies in its ability to coordinate investments, maximise budget efficiency, and achieve greater effectiveness in supporting defence investments than would be possible for any individual Member State acting alone. The EU's role in promoting a coordinated approach to defence investment enables MS to address their defence needs, which is essential for ensuring the security and stability of the EU and its Member States.

*Reasons for action at EU level (ex-ante):*

- The need for coordinated investment in defence to address common security challenges and threats, which cannot be effectively addressed by individual Member States alone.
- The importance of maximising budget efficiency, maximising complementarity of different funding programmes and reducing duplication of efforts, which can be achieved through EU-level coordination and cooperation.

*Reasons for action at EU level (ex-ante):*

- Support defence readiness and enhance military mobility, which will strengthen MS ability to respond to common security challenges and threats.
- Increased competitiveness and innovation in the European defence industry, resulting from the EU's coordinated approach to defence investment and the development of a strong and competitive European Defence Technological and Industrial Base (EDTIB).
- Maximisation of synergies among different EU financial instruments and enhanced scale and scope, which will enable the EU to leverage its resources more effectively and achieve greater impact with its investments than individual MS, particularly for large scale projects.
- Better value for money, resulting from the efficient use of resources and reduced duplication of efforts, which will enable the EU to achieve more with its available resources. By combining the resources and expertise of different EU programmes, the EU can create a more comprehensive and integrated approach to defence investment, which will yield greater benefits and returns than could be achieved through individual programmes alone.

- 1.5.3. *Lessons learned from similar experiences in the past*

The EU has a track record of successfully adapting its funding instruments to respond to emerging challenges and priorities. For example, during the COVID-19 pandemic, the EU introduced several instruments to support the recovery and resilience of affected regions and communities, including the Coronavirus Response Investment

Initiative (CRII) and CRII+, as well as REACT-EU (Recovery Assistance for Cohesion and the Territories of Europe). Additionally, in response to the Russia-Ukraine war and the resulting energy price crisis, the EU proposed a more flexible use of its funding instruments to help Member States address various challenges.

These experiences have shown that adapting EU funding instruments can be an effective way to respond to evolving challenges and strategic priorities.. They have also highlighted the importance of close coordination and cooperation between the European Commission, Member States, and relevant authorities to ensure that funds are used effectively and efficiently.

In the context of defence investment, the EU can draw on these lessons to ensure that the adaptation of its funding instruments is done in a way that is transparent, accountable, and effective. By building on these past experiences, the EU can create a more flexible and responsive framework that is better equipped to address the complex and evolving security challenges facing the EU and its Member States.

*1.5.4. Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments*

The proposed targeted amendments to the relevant EU Regulations are fully compatible with the existing Multiannual Financial Framework (MFF) 2021-2027. The amendments do not require additional funding from the EU budget at all nor do they alter the overall budget allocation for most of the programmes, as they are designed to optimize the use of existing resources within the current programmes. The proposed flexibilities and synergies among different EU financial instruments, such as STEP, EDF, ASAP, CEF, and DEP, are also fully consistent with the existing MFF. However, to achieve the objectives of the mini-omnibus proposal, additional resources originated by reflows from the EIC pilot in the previous MFF under Horizon 2020 will be allocated to Horizon Europe, specifically for the European Innovation Council. This targeted reinforcement will support the development of innovative defence and dual-use technologies, and will be implemented within the existing MFF framework.

The proposed amendments could help inform the future MFF by providing valuable insights and lessons learned from the implementation of the current programmes. The experience gained from the flexibilisation of cohesion funds and the creation of synergies among different EU financial instruments could be taken into account when designing future EU programmes and budget allocations. This could help to ensure that future EU funding is more effective, efficient, and better aligned EU strategic priorities, including defence and security.

*1.5.5. Assessment of the different available financing options, including scope for redeployment*

The proposed targeted amendments to the relevant EU Regulations offer a range of financing options and opportunities for redeployment, which could help to optimize the use of existing resources and support the development of defence capabilities and technologies in the EU.

One of the financing options is the possibility of channeling cohesion funds to support defence-related investments and activities, e.g. through STEP.

The European Defence Fund (EDF) amendment aims to enable cumulation of funding between the EDF and other Union programmes for the same action, allowing for a more comprehensive and integrated approach to supporting defence-related investments. Additionally, the amendment provides for the possibility to transfer resources allocated to Member States under cohesion policy funds to the EDF, which would enable Member States to redirect their cohesion policy funds to support defence-related investments. Moreover, the ASAP amendment will enable voluntary transfers of resources allocated to Member States under cohesion policy funds to the ASAP instrument, as well as additional voluntary contributions from Member States.

The Digital Europe Programme (DEP) amendment provides for the possibility to use the budget flexibility to support additional well-focused investments for the competitiveness and strategic autonomy of the EU, including dual use.

The Horizon Europe programme amendment will enable support to projects with potential dual-use applications under the European Innovation Council (EIC) Accelerator (grant + equities), as well as projects with a focus on defence applications under the EIC Accelerator scale-up scheme (equity only).

The CEF amendment will enable the connected digital capacities required for the development of defence products and technologies, including connecting cloud, AI, and AI Gigafactories, as well as military mobility. This will support the development of infrastructure and technologies that are essential for security and defence. In CEF, the military mobility envelope (EUR 1.7 billion) has been fully allocated to projects in 2024 after three calls or proposals. Transfers of Member States from resources under shared management are therefore an option to support further military mobility projects under CEF.

## 1.6. Duration of the proposal/initiative and of its financial impact

### ☒ **limited duration**

- ☒ in effect from 04/2025 to 31/12/2028
- ☒ Financial impact from 2025 to 2027 for commitment appropriations and from 2025 to 2030 for payment appropriations.

### ☐ **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY
- followed by full-scale operation.

## 1.7. Method(s) of budget implementation planned<sup>12</sup>

### ☒ **Direct management** by the Commission

- ☒ by its departments, including by its staff in the Union delegations;
- ☒ by the executive agencies

### ☒ **Shared management** with the Member States

### ☒ **Indirect management** by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated
- ☐ international organisations and their agencies (to be specified)
- ☒ the European Investment Bank and the European Investment Fund
- ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation
- ☐ public law bodies
- ☐ bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees
- ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees
- ☐ bodies or persons entrusted with the implementation of specific actions in the common foreign and security policy pursuant to Title V of the Treaty on European Union, and identified in the relevant basic act
- ☐ bodies established in a Member State, governed by the private law of a Member State or Union law and eligible to be entrusted, in accordance with sector-specific rules, with the implementation of Union funds or budgetary guarantees, to the extent that such bodies are controlled by public law bodies or by bodies governed by private law with a public service mission, and are provided with adequate financial guarantees in the form of joint and several liability by the controlling bodies or equivalent financial guarantees and which may be, for each action, limited to the maximum amount of the Union support.

<sup>12</sup>

Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: <https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx>.



## Comments

The method of budget implementation will depend on the specific programme affected by the amendment. In particular:

For Horizon Europe/EIC Accelerator, implementation is expected to be through executive agencies (notably EISMEA); the EIC Fund is managed by the European Investment Bank.

For STEP, CEF, DEP, EDF, and ASAP, direct management is foreseen.

For CEF, the programme is implemented through direct management and fully delegated to the European Climate, Infrastructure and Environment Executive Agency (CINEA). Some programme support actions are managed directly by the Commission

For Cohesion Policy, shared management with MS will apply.

## **2. MANAGEMENT MEASURES**

### **2.1. Monitoring and reporting rules**

The targeted amendments in the Regulation will be monitored and evaluated in accordance with the rules and procedures established in the relevant programmes, namely Horizon Europe, CEF, DEP, EDF, ASAP, and STEP. The frequency and conditions for monitoring and reporting will be as specified in the respective programme regulations and agreements.

Additionally, for provisions related to Cohesion Policy, periodical evaluation and reporting will be conducted in line with the relevant Cohesion Policy obligations, including the requirements for ex-ante evaluations, interim evaluations, and ex-post evaluations, as well as the reporting requirements set out in the applicable regulations and funding agreements.

In general, the monitoring and reporting will be carried out on a regular basis, with the specific frequency and conditions to be determined by the relevant programme authorities and in accordance with the applicable rules and regulations.

### **2.2. Management and control system(s)**

#### *2.2.1. Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The proposed budget implementation methods, funding implementation mechanisms, payment modalities, and control strategy are based on the existing structures and mechanisms already in place for the relevant programmes (Horizon Europe, CEF, DEP, EDF, ASAP, STEP).

The amendments introduced by this Regulation do not introduce any alterations in this regard. Instead, they build upon existing frameworks designed to ensure effective, efficient, and economical implementation of the programmes.

The use of direct management, shared management, and executive agencies, as well as the funding implementation mechanisms and control strategies have been established and tested in the context of the existing programmes. The proposed amendments do not require significant changes to these existing structures. The Commission will rely on the existing expertise, systems, and procedures to implement the amended programmes.

The control strategy, including the risk-based approach, ex-ante, interim, and ex-post controls, audits, and evaluations, will continue to be applied in accordance with the existing rules and regulations under relevant programmes. The Commission will continue to monitor and report on the implementation of the programmes, including the amended provisions, in accordance with the existing requirements and procedures.

#### *2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them*

The internal control systems in place for the existing programmes (Horizon Europe, CEF, DEP, EDF, ASAP, STEP) have been designed to identify and mitigate risks, including the risk of errors and irregularities.

The amendments introduced by this Regulation do not fundamentally alter the risk landscape of the existing programmes. The Commission will continue to rely on the existing internal control systems, which have been established to ensure the effective and efficient implementation of the programmes.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)*

The cost-effectiveness of the controls for the amended programmes is expected to be in line with the existing programmes. The Commission will continue to rely on the existing control systems, which have been established to ensure the effective and efficient implementation of the programmes, as the amendments do not introduce significant changes to programmes.

The Commission will continue to monitor and report on the implementation of the programmes, including the amended provisions, in accordance with the existing requirements and procedures.

**2.3. Measures to prevent fraud and irregularities**

The Commission will continue to apply the measures envisaged under the programmes affected by the proposed Regulation to prevent fraud and irregularities, including measures are outlined in the Commission's anti-fraud strategy.

The amended programmes will also be subject to the Commission's overall anti-fraud framework, which includes regular monitoring and reporting on fraud risks and incidents. The Commission will continue to work closely with the European Anti-Fraud Office (OLAF) and other relevant authorities to prevent and investigate fraud and irregularities.

No additional measures are envisaged at this stage, as the existing measures are considered to be adequate to prevent fraud and irregularities in the amended programmes.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

*In order of multiannual financial framework headings and budget lines.*

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. <sup>13</sup>	from EFTA countries <sup>14</sup>	from candidate countries and potential candidates <sup>15</sup>	From other third countries	other assigned revenue
1	01.020301 European Innovation Council (Horizon Europe)	Diff	Yes	Yes	Yes	Yes
5	13.04.01.00 – Military mobility	Diff	NO	YES	NO	NO
5	13.01.03.01 – Support expenditure for military mobility	Non-diff.	NO	YES	NO	NO
5	13.01.03.74 – European Climate, Infrastructure and Environment Executive Agency – Contribution from Connecting Europe Facility (Transport) for military mobility	Non-diff.	NO	YES	NO	NO

<sup>13</sup> Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

<sup>14</sup> EFTA: European Free Trade Association.

<sup>15</sup> Candidate countries and, where applicable, potential candidates from the Western Balkans.

### 3.2. Estimated financial impact of the proposal on appropriations

#### 3.2.1. Summary of estimated impact on operational appropriations

- ☐ The proposal/initiative does not require the use of operational appropriations
- ☒ The proposal/initiative requires the use of operational appropriations, as explained below

##### 3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

<b>Heading of multiannual financial framework</b>	Number	5 Security and Defence
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Horizon Europe			2023	2024	2025	2026	2027	TOTAL
<b>Estimated operational appropriations stemming from repayments from the European Innovation Council Pilot under Horizon 2020*</b>								
01.020301 European Innovation Council	Commitments	(1a)			p.m.	p.m.	p.m.	<b>p.m.</b>
Appropriations of an administrative nature financed from the envelope of specific programmes <sup>16</sup>					p.m.	p.m.	p.m.	
<b>Total appropriations for Horizon Europe</b>								
01.020301 European Innovation Council	Commitments	(1a)			p.m.	p.m.	p.m.	<b>p.m.</b>
	Payments	(2a)			p.m.	p.m.	p.m.	

<sup>16</sup> Technical and/or administrative assistance and expenditure are not detailed but included in the overall amounts indicated under operational lines. They should roughly correspond to the same percentages compared to administrative lines as the one occurred in the 2021-2024 period.

DG: MOVE			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2025	2026	2027	Post 2027	
Operational appropriations							
Budget line – Military mobility	Commitments	(1a)	P.M.	P.M.	P.M.		P.M.
	Payments	(2a)	P.M.	P.M.	P.M.	P.M.	P.M.
Budget line	Commitments	(1b)					0.000
	Payments	(2b)					0.000
Appropriations of an administrative nature financed from the envelope of specific programmes <sup>17</sup>							
Budget line 13.01.03.01 – Support expenditure for military mobility		(3)	P.M.*	P.M.	P.M.		P.M.
Budget line 13.01.03.74 – European Climate, Infrastructure and Environment Executive Agency – Contribution from Connecting Europe Facility (Transport) for military mobility			P.M.**	P.M.	P.M.		P.M.
TOTAL appropriations for DG MOVE	Commitments	=1a+1b+3	P.M.	P.M.	P.M.	P.M.	P.M.
	Payments	=2a+2b+3	P.M.	P.M.	P.M.	P.M.	P.M.

			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2025	2026	2027	Post-2027	
TOTAL operational appropriations	Commitments	(4)	P.M.	P.M.	P.M.	0.000	P.M.
	Payments	(5)	P.M.	P.M.	P.M.	P.M.	P.M.

<sup>17</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	P.M.	P.M.	P.M.	0.000	P.M.
<b>TOTAL appropriations under HEADING 5</b> of the multiannual financial framework	Commitments	=4+6	P.M.	P.M.	P.M.	P.M.	P.M.
	Payments	=5+6	P.M.	P.M.	P.M.	P.M.	P.M.

			Year 2025	Year 2026	Year 2027	Year Post-2027	TOTAL MFF 2021-2027
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	P.M.	P.M.	P.M.	0.000	P.M.
	Payments	(5)	P.M.	P.M.	P.M.	P.M.	P.M.
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	P.M.	P.M.	P.M.	0.000	P.M.
<b>TOTAL appropriations Under Heading 1 to 6</b> of the multiannual financial framework (Reference amount)	Commitments	=4+6	P.M.	P.M.	P.M.	P.M.	P.M.
	Payments	=5+6	P.M.	P.M.	P.M.	P.M.	P.M.

<b>Heading of multiannual financial framework</b>	<b>7</b>	‘Administrative expenditure’ <sup>18</sup>
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<sup>18</sup> The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

DG: MOVE		Year	Year	Year	Year	TOTAL MFF 2021-2027
		2025	2026	2027	POST 2027	
• Human resources		0	0	0	0	0
• Other administrative expenditure		P.M.	P.M.	P.M.	P.M.	P.M.
<b>TOTAL DG MOVE</b>	Appropriations	P.M.	<b>P.M</b>	<b>P.M</b>	<b>P.M</b>	<b>P.M</b>

EUR million (to three decimal places)

		Year	Year	Year	Year	TOTAL MFF 2021-2027
		2025	2026	2027	POST-2027	
<b>TOTAL appropriations under HEADINGS 1 to 7</b>	Commitments	<b>P.M</b>	<b>P.M.</b>	<b>P.M.</b>	<b>P.M</b>	<b>PM</b>
of the multiannual financial framework	Payments	<b>P.M</b>	<b>P.M.</b>	<b>P.M.</b>	<b>P.M</b>	<b>PM</b>

			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2025	2026	2027	POST-2027	
TOTAL operational appropriations	Commitments	(4)	P.M.	P.M.	P.M.	0.000	<b>P.M.</b>
	Payments	(5)	P.M.	P.M.	P.M.	P.M.	<b>P.M.</b>
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	P.M.	P.M.	P.M.	0.000	<b>P.M.</b>
<b>TOTAL appropriations under HEADING 5</b>	Commitments	=4+6	<b>P.M.</b>	<b>P.M.</b>	<b>P.M.</b>	<b>0.000</b>	<b>P.M.</b>



of the multiannual financial framework	Payments	=5+6	P.M.	P.M.	P.M.	P.M.	P.M.
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			Year 2025	Year 2026	Year 2027	Year POST-2027	TOTAL MFF 2021-2027
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	P.M.	P.M.	P.M.	0.000	P.M.
	Payments	(5)	P.M.	P.M.	P.M.	P.M.	P.M.
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	P.M.	P.M.	P.M.	P.M.	P.M.
<b>TOTAL appropriations under Headings 1 to 6</b> of the multiannual financial framework (Reference amount)	Commitments	=4+6	P.M.	P.M.	P.M.	0.000	P.M.
	Payments	=5+6	P.M.	P.M.	P.M.	P.M.	P.M.

<b>Heading of multiannual financial framework</b>	<b>7</b>	‘Administrative expenditure’ <sup>19</sup>
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EUR million (to three decimal places)

EUR million (to three decimal places)

		Year 2025	Year 2026	Year 2027	Year POST-2027	TOTAL MFF 2021- 2027
<b>TOTAL appropriations under HEADINGS 1 to 7</b>	Commitments	P.M	P.M.	P.M.	P.M	PM

<sup>19</sup> The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

of the multiannual financial framework	Payments	P.M	P.M.	P.M.	P.M	PM
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### 3.2.3. Summary of estimated impact on administrative appropriations

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

#### 3.2.3.1. Appropriations from voted budget

VOTED APPROPRIATIONS	Year	Year	Year	Year	TOTAL 2021 - 2027
	2025	2026	2027	POST-2027	
HEADING 7					
Human resources	0	0	0	0	0
Other administrative expenditure	PM	PM	PM	PM	PM
Subtotal HEADING 7	PM	PM	PM	PM	PM
Outside HEADING 7					
Human resources - 13.01.03.74 – European Climate, Infrastructure and Environment Executive Agency – Contribution from Connecting Europe Facility (Transport) for military mobility*	PM	PM	PM	PM	PM
Other expenditure of an administrative nature 13.01.03.01 – Support expenditure for military mobility**	PM	PM	PM	PM	PM
Subtotal outside HEADING 7	PM	PM	PM	PM	PM
TOTAL	P.M	P.M.	P.M.	P.M.	P.M.

### 3.2.4. Estimated requirements of human resources

- ☒ The proposal/initiative does not require the use of human resources
- ☐ The proposal/initiative requires the use of human resources, as explained below

### 3.2.5. Overview of estimated impact on digital technology-related investments

Compulsory: the best estimate of the digital technology-related investments entailed by the proposal/initiative should be included in the table below.

Exceptionally, when required for the implementation of the proposal/initiative, the appropriations under Heading 7 should be presented in the designated line.

The appropriations under Headings 1-6 should be reflected as “Policy IT expenditure on operational programmes”. This expenditure refers to the operational budget to be used to re-use/ buy/ develop IT platforms/ tools directly linked to the implementation of the initiative and their associated investments (e.g. licences, studies, data storage etc). The information provided in this table should be consistent with details presented under Section 4 “Digital dimensions”.

TOTAL Digital and IT appropriations	Year	Year	Year	Year	TOTAL MFF 2021 - 2027
	2025	2026	2027	POST- 2027	
HEADING 7					

IT expenditure (corporate)	0.000	0.000	0.000	0.000	0.000
<b>Subtotal HEADING 7</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Outside HEADING 7</b>					
Policy IT expenditure on operational programmes*	PM	PM	PM	PM	PM
<b>Subtotal outside HEADING 7</b>	<b>PM</b>	<b>PM</b>	<b>PM</b>	<b>PM</b>	<b>PM</b>
*Corporate IT expenditure on operational programmes financed by 13.01.03.01 – Support expenditure for military mobility					
<b>TOTAL</b>	<b>PM</b>	<b>PM</b>	<b>PM</b>	<b>PM</b>	<b>PM</b>

### 3.2.6. Compatibility with the current multiannual financial framework

The proposal/initiative:

- ☒ can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)

This initiative will be financed by existing resources, within the agreed envelopes of the programmes concerned and the allocated HR. The proposal will reinforce the envelop of the EIC by EUR 210 million from the unused amounts and reflows of the EIC pilot of Horizon 2020. The reprogramming will require redeployment across headings of the MFF as provided by the Cohesion Programme and Connecting Europe Facility regulations and the mid-term review of the Cohesion Programme.

### 3.2.7. Third-party contributions

The proposal/initiative:

- ☒ does not provide for co-financing by third parties.

### 3.3. Estimated impact on revenue

- ☐ The proposal/initiative has no financial impact on revenue.
- ☒ The proposal/initiative has the following financial impact:
  - ☒ on own resources
  - ☐ on other revenue
  - ☐ please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative <sup>20</sup>			
		Year 2024	Year 2025	Year 2026	Year 2027

- For assigned revenue, specify the budget expenditure line(s) affected.

<sup>20</sup> As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20% for collection costs.

This initiative will be financed by existing resources, within the agreed envelopes of the programmes concerned and the allocated HR. The proposal will reinforce the envelop of the EIC by EUR 210 million from the unused amounts and reflows of the EIC pilot of Horizon 2020.

– **4. DIGITAL DIMENSIONS**

**4.1. Requirements of digital relevance**

The proposed amendments do not establish any new requirements of digital relevance. The assessment of digital relevance has already been conducted for each of the programmes affected by the amendments, and the proposed changes do not introduce any additional obligations or provisions related to the collection, processing, generation, exchange, or sharing of data, the automation or digitalisation of stakeholders' processes, the use of new or existing digital solutions, or digital public services. Therefore, no additional requirements of digital relevance are identified in this proposal.