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EUROPEAN EXTERNAL ACTION SERVICE



**Report of the High Representative of the Union
for Foreign Affairs and Security Policy
to the Council**

of 30/07/2024

Annual Report on the Status of PESCO Implementation

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Report of the High Representative of the Union for Foreign Affairs and Security Policy to the Council Annual Report on the Status of PESCO Implementation

Introduction

1. More than two years of Russia's continuing war of aggression against Ukraine, paired with other crises and an increasingly worrying overall threat landscape, have **profoundly impacted the EU's security and defence**. This has prompted the participating Member States (pMS) to **rethink their national policies**, including their **approaches to cooperation**, which is evident in the 2024 updates of National Implementation Plans (NIPs) and the accompanying political statements. Against this background, the pMS confirm PESCO as a key framework for EU defence cooperation.
2. This Annual Report on the **status of PESCO implementation**¹ is presented as the initiative approaches the end of its initial phase in 2025. It informs about the **progress achieved** in the fulfilment of the more binding commitments since the launch of PESCO in 2017, including through implementing projects, and considers the relevance of this cooperation framework in the new geopolitical reality. During the reflection phase of the **PESCO Strategic Review (PSR)**, the pMS have considered how to improve the initiative. The findings from the reflection phase informed the recommendations in the present report to **tailor PESCO for its second phase in 2026-2030** to better respond and deliver in the changing security environment.

Permanent and structured cooperation? A promising initial phase

3. The pMS achievements and intentions reflected in their annual NIPs during the initial PESCO phase show that **there is progress towards fulfilling a number of commitments**. Yet, **further effort is needed** for PESCO to achieve the purpose embedded in its name. Taking forward the more precise objectives² set for defence spending, planning and harmonisation, operational cooperation, addressing capability shortfalls in a collaborative manner and strengthening the European Defence Technological and Industrial Base (EDTIB) would bring the pMS closer to **fully implementing permanent structured cooperation**.
4. While national **defence budgets** of most PESCO pMS have seen regular increases since PESCO's launch, both in real terms and as a share of GDP,³ the agreed defence investment

¹ The Annual Report serves as a baseline for the Council to review whether the participating Member States continue fulfilling the more binding commitments, including in the context of implementing PESCO projects, in accordance with Article 6(3) of the Council Decision (CFSP) 2017/2315 establishing PESCO.

² More precise objectives set by the Council for each of the commitments taken under PESCO. See Council Recommendation 2021/C 464/01 of 16 November 2021.

³ Since PESCO's launch in 2017, defence spending of the pMS has increased by approximately €140 billion, reaching €336 billion in 2024. It is expected that one in two pMS will allocate at least 2% of GDP to defence in 2024: a considerable change compared to the start of the initiative when only two pMS reached this level of defence spending.

objectives have so far been followed to a varied extent. The **increasing budgets**, as indicated in NIPs, have been driven by procurement and development of needed capabilities with many pMS surpassing the 20% defence investment objective. Maintaining this level of spending will be important to **ensure pMS' sustained effort to deliver future capabilities and ensure defence readiness**. At the same time, and despite an overall increase in Research & Technology (R&T) expenditure since 2017, the current level of spending of most pMS does not yet respond to previously proposed recommendations and support needed for their policies and strategies to boost research, technology, and innovation with adequate financial resources.⁴

5. The commitments related to **strengthening the EDTIB** have evolved over the first PESCO phase. **DELETED** The pMS have been **increasingly taking advantage of EU funding** and developing national procedures to better engage their industry. **DELETED**
6. The initial phase has observed **modest progress in bringing the pMS' defence structures closer** with each other. Yet, to see a substantial leap towards more structured cooperation, the pMS would need to consider the EU defence tools and initiatives beyond valuable references and **factor them more into national defence planning and decision-making**. The **EU Capability Development Priorities** agreed in November 2023 are largely acknowledged as aligned with national priorities. This alignment has the **potential to support pMS' efforts towards converging their defence plans** where possible and harmonising requirements. In turn, it could eventually lead to more cooperation in closing commonly identified EU capability gaps, while also contributing to addressing national needs and NATO objectives, in line with pMS' expectations for PESCO deliverables.
7. The pMS have started using PESCO NIPs to indicate areas of interest where they **plan to seek EU funding** in the future, largely in line with the 2023 EU Capability Development Priorities thus **serving as a good indication where pMS' needs converge**. Ensuring that all awarded projects address the requirements of pMS' armed forces will help maximise benefits of European Defence Fund (EDF) as well as other financial incentives. Collaborative R&T and development activities supported by EU funding can provide a **good foundation for structured cooperation on future capabilities** where project results are planned to be taken up as an integral element of pMS' capability development efforts.

⁴ In 2024, PESCO pMS collectively allocate 1.6% of total defence expenditure to defence R&T. Individual pMS continue to show little progress in contributing towards collectively meeting the 2% benchmark as a small number of pMS dominates total defence R&T expenditure.

8. **DELETED**

PESCO projects are beginning to serve as a practical expression of how pMS contribute to the commitments related to addressing capability gaps in a collaborative manner. The implementation of the European Patrol Corvette (EPC) project serves as an example that covers several of the more binding commitments and follows **the EU capability development approach**.⁵ Together with the Essential Elements of European Escort (4E), Future Medium-size Tactical Cargo (FMTC) and Strategic Air Transport for Outsized Cargo (SATOC) projects, it proves the suitability of the PESCO framework for delivering **capabilities identified as strategically relevant**. Starting already from the **upcoming 6th wave of projects**, a broader basis for such strategically relevant projects is needed to meet this commitment taken under PESCO. The recently presented set of **actionable collaborative opportunities** identified through the Coordinated Annual Review on Defence (CARD) will support this effort. Through its mandate reinforced in the Long-Term Review 2024, the European Defence Agency (EDA) will continue to **support the pMS throughout the lifecycle of a capability**.

9. The overall outlook of ongoing projects' progress across domains is positive,⁶ with a **significant number of projects having advanced to the execution phase**, while some report delays. In view of meeting the objectives set in the 2020 PESCO Strategic Review, 26 projects were to **deliver concrete results or reach full operational capability (FOC) by 2025**. At present, half of these projects is expected to reach this objective, including two that already closed with deliverables in 2024: EUFOR Crisis Response Operation Core (EUFOR CROC), contributing to developing EU force sensing mechanisms, and European Medical Command (EMC), establishing a permanent medical capability supporting the coordination of military medical services of the EU Member States. This medical capability has **already been used in support of EU CSDP missions and operations** during the COVID-19 pandemic and in **providing assistance to Ukraine** after the start of Russia's war of aggression.
10. In the **cyber domain**, cooperation has stepped up with PESCO projects as well as EDA activities central to developing a unified European approach and skilled cyber defence community⁷ and providing a **basis for further cooperation at EU level**.⁸ As an example of wider EU policies also benefitting the military domain, the pMS seem to be increasingly following the objectives of the EU Policy on Cyber Defence⁹ towards increased coordination of efforts and investment in state-of-the-art cyber defence capabilities. In the maritime domain, ongoing PESCO projects are

⁵ The EPC project responded to existing gaps acknowledged in the 2018 EU Capability Development Priorities, rooted in a CARD collaborative opportunity, using the support of EDA experts for harmonisation of requirements and taking advantage of EDF funding, before being successfully transferred to OCCAR.

⁶ See the 2024 PESCO Projects Progress Report to the Council for a detailed overview, PESCO Secretariat communication PESCO20240082, ST 12340/24 16.07.2024.

⁷ E.g., PESCO EU Cyber Academia and Innovation Hub (CAIH); EDA's Cyber Defence Exercises programme.

⁸ E.g., PESCO Cyber and Information Domain Coordination Centre (CIDCC); EDA's MilCERT Operational Network and EU Cyber Commanders Conference.

⁹ JOIN(2022) 49 final: Joint Communication to the European Parliament and the Council: EU Policy on Cyber Defence of 10 November 2022.

instrumental in **shaping European maritime capabilities**,¹⁰ in the surface, underwater, and maritime situational awareness areas, aligning with the EU Maritime Security Strategy¹¹.

11. The pMS are increasingly pointing to PESCO projects in support of a joint and shared use of capabilities, a testament to their usefulness in **optimising existing resources and improving their overall effectiveness**. In this vein, the outputs of several ongoing PESCO projects support the EU institutions, bodies and agencies, such as the Common Hub for Governmental Imagery (CoHGI) project, which aims at **fostering closer collaboration** with the EU Satellite Centre. Another successful case in point, the PESCO Cyber and Information Domain Coordination Centre (CIDCC), **operates closely** with both the EU Military Staff/Military Planning and Conduct Capability, and the Hybrid Threats and Cyber Division of the EEAS, for the benefit of EU CSDP missions and operations.
12. During the initial phase, **noticeable progress** has been made regarding the **operational commitments** contributing to the fulfilment of EU CSDP Military Level of Ambition (LoA) and strengthening the EU's ability to act in line with the objectives of Strategic Compass. Specifically, the commitments related to interoperability, military mobility, and fast track decision making have been largely fulfilled. Progress is also observed in the commitments related to availability and deployability. However, there is still some room for improvement in completely meeting these commitments.
13. As a key deliverable of the Strategic Compass by 2025 and building on the EU Battlegroups, the pMS enhanced their efforts regarding the **EU Rapid Deployment Capacity (EU RDC) implementation**. They have made progress towards strengthening the **EU's ability to respond to emerging crises**, notably by reducing the gaps in the EU Battlegroup Roster and declaring additional national modules in the Comprehensive Database. The first ever **EU live military exercise (LIVEX)** in October 2023 and the upcoming EU LIVEX will be key for the operationalisation of the EU RDC and will improve the readiness and interoperability of participating forces as well as the preparedness of the EU structures.
14. The pMS contributions to the military CSDP missions and operations present a **mixed picture**, yet there has been progress. **DELETED**

¹⁰ E.g., the EPC project creating a prototype for a new class of military ship; 4E focused on identifying, defining, and developing the most important systems of any surface combat ship that may be built in Europe from 2035 onwards, as well as on essential elements of any surface escort that may be built in Europe from 2030 to 2045; Critical Seabed Infrastructure Protection (CSIP) addressing the strategic importance and urgent need to protect critical underwater infrastructure laid on the seabed; Anti Torpedo-Torpedo (ATT) delivering the first self-protection anti-torpedo system; Upgrade of Maritime Surveillance (UMS) improving maritime situational awareness.

¹¹ JOIN(2023)8 Joint Communication to the European Parliament and the Council on the update of the EU Maritime Security Strategy and its Action Plan "An enhanced EU Maritime Security Strategy for evolving maritime threats of 10 March 2023.

15. On the other hand, other ongoing military **CSDP missions and operations still encounter critical gaps** in terms of personnel, capabilities, and assets. Therefore, the pMS should strengthen their efforts towards filling the agreed SoRs, **DELETED**
16. The pMS remain **committed to making available formations strategically deployable** to reach the EU level of ambition. Yet, the pMS' inputs on their planning efforts to address the critical capability shortfalls included in the High Impact Capability Goals (HICGs) are not sufficiently reflected in the NIPs. While overall progress has been observed, there remains some **room for improving the contributions to the Force Catalogue** in accordance with the Headline Goal Process (HLGP) instructions. Overall, the progress towards a coherent EU full spectrum force package will be assessed in the context of the Progress Catalogue.
17. **DELETED**

pMS are encouraged to keep striving for an ambitious approach in funding the CSDP missions and operations, including EU RDC and relevant EU exercises, with a view to increasing interoperability, readiness, and operational effectiveness.

Passing the test of the new security environment

18. The 2023 Annual Report on PESCO already considered how pMS' contributions to the fulfilment of the more binding commitments began to reflect the initial implications of the new geopolitical reality. One year later, the **security context** dominated by Russia's ongoing war and the sustained need to support Ukraine's efforts is still driving many **pMS' policies and decisions** in all areas covered by the PESCO commitments, as **evident in the 2024 NIPs**. The pMS reaffirm their **strong support to Ukraine** through the EUMAM Ukraine, substantially contributing to the training needs of Ukrainian armed forces as well as through the assistance pillar of the EPF in providing the necessary military equipment.
19. The initial indications reported last year are confirmed as **pMS prioritise capabilities required for high-intensity warfare, including strategic enablers**. Indeed, the 2023 EU Capability Development Priorities, adopted to better reflect the need to develop full-spectrum defence capabilities, support these updated national priorities. Through the **unprecedented level of defence spending** (1.9% of GDP of 26 pMS) and investment (31% of total defence budgets) in 2024, the pMS aim at securing the **necessary capabilities** and enhancing **defence readiness** with more urgency and thus contribute to the commitment to play a **substantial role in capability development within the EU**.
20. The need to **remain effective in addressing emerging threats** has led many pMS to re-assess their **policies and strategies towards cooperation**, seeking most effective ways to achieve their

priorities, including by taking forward the collaborative opportunities identified through CARD and exploiting financial incentives. With a growing attention on the added value of EU defence tools and initiatives, EDA as **primary enabler of coherence** is well placed to support pMS in **making best use of the EU capability development approach**.

21. What stands out is an **increasing interest in PESCO projects**, as evidenced by notable changes in pMS' level of participation since May 2023, with 16 pMS deciding to join more projects and some third states expressing interest in joining specific projects. This confirms PESCO projects' **relevance for enhancing EU capabilities in the new geostrategic situation** while also demonstrating their resilience and adaptability to multifaceted challenges.
22. Yet, while **cooperation is seen as essential to face current security challenges**, a **European collaborative approach is not the primary option** to address capability gaps for the majority of pMS. Indeed, the available data suggests that pMS have not yet utilised the rise in defence expenditure in a coordinated manner to prioritise EU cooperation over national approaches and other solutions. Last year's recommendation to use the increasing defence budgets to **spend better and together** is not clearly reflected in the level of collaborative spending.
23. Joint procurement activities and new funding instruments at EU level complementing cooperative efforts could help reverse this tendency, supporting the achievement of agreed collaborative spending objectives.¹² In this vein, the **acquisition strategies and procedures** implemented by pMS are expected to be further supported through the **upcoming European Defence Industry Programme (EDIP)**. Regarding the critical gaps exposed by the ongoing war against Ukraine, pMS are already taking advantage of the **incentives to the EDTIB** provided by the Act in Support of Ammunition Production (ASAP) to ramp up ammunition production and EDIRPA to jointly coordinate and acquire the most urgent and critical defence product needs.
24. Moving ahead, ensuring that investments in defence, and acquisitions in particular, are strategic and sustainable in the long-term is crucial to significantly strengthen the EDTIB. In this sense, pMS welcome the **European Defence Industrial Strategy (EDIS)**'s attempt at bringing a sustained vision for achieving defence industrial readiness within the EU. This should support efforts by pMS to **enhance the competitiveness of the European defence industry** through their industrial policies, acquisition strategies, projects and cooperation programmes. A **clear long-term investment perspective** would also support PESCO projects contributing to closing capability gaps over the medium- to long-term, delivering defence systems and equipment to **support the achievement of the EU level of ambition** in line with the Strategic Compass.
25. **DELETED**

¹² The European collaborative defence equipment procurement (35%) and European collaborative defence R&T (20%) collective benchmarks.

26. The swift launch of the operation EUNAVFOR ASPIDES in the Red Sea clearly reflects the EU's **ability to respond effectively** to more demanding security challenges, demonstrating fast decision making and force generation processes in protecting key EU interests. **DELETED**

27. Recalling that the swift, efficient, and unimpeded **movement of military forces** is vital for European security and defence, the EU Member States committed to a new set of actions in the Military Mobility Pledge 2024 in May. Its implementation will be facilitated by the PESCO projects Military Mobility and Network of Logistic Hubs in Europe providing an example of collaboration between PESCO projects. The Military Mobility Pledge 2024 furthermore recognised that participation of third States in these PESCO projects continues to provide added value, including from the perspective of transatlantic and EU-NATO cooperation.

Second phase of PESCO (2026-2030): deliver on its objectives until 2030

28. The on-going PESCO Strategic Review (PSR) should represent a paradigm shift for this central EU defence initiative. The main outcome and overarching objective of the PSR should be a **PESCO that is tailored to respond to and deliver on pMS' critical and strategic needs in the changing security environment** in its next phase in 2026-2030. It should build on the lessons from Russia's war of aggression against Ukraine, and keep up the ambition of providing a full-spectrum force package for the most-demanding missions and operations.

29. To strengthen defence capabilities and improve the interoperability of the armed forces, PESCO should continue **enhancing the defence cooperation among the pMS**, enabling them to better act and invest together. Embarking on **a new stage towards European security and defence integration**, PESCO will further contribute to European strategic autonomy and sovereignty, as well as reinforce **the European pillar of transatlantic security** and strengthen NATO's collective defence. To this end, the more binding commitments and the projects should be adapted accordingly.

30. Furthermore, PESCO should be better **connected to all relevant Union policies and instruments** to form **a coherent EU defence toolbox**, including with the EDIS and, more broadly, efforts to strengthen the EDTIB. The pMS are encouraged to also seek **dedicated financial incentives to PESCO projects from the EU budget**, including under the current and next Multiannual Financial Frameworks, or other sources.

31. **DELETED**

More binding commitments

32. With the return of high intensity warfare in Europe and with a view to contributing to the EU level of ambition, the **more binding commitments should reflect the urgency of increasing defence readiness and preparedness across the Union**, by cementing our ability to act together and reinforcing the EDTIB. **DELETED**
33. While the objectives¹³ of the existing more binding commitments remain relevant in the current security environment, the pMS are recommended to revise the commitments, **DELETED**, to make them more strategic and updated to the demands of the security environment. **DELETED**
34. In the next phase of PESCO, several commitments related to defence planning, harmonisation of requirements, and implementation of EU tools and initiatives could lead to more tangible results, if considered within a coherent EU capability development approach. In this regard, the CDP and resulting EU Capability Development Priorities remains **the central reference** for defence planning EU-wide and baseline for existing and future defence-related initiatives, policies, and legislation. With its reinforced mandate to be reflected in revised commitments, EDA continues to serve as a forum supporting a coherent implementation of the initiatives and the pMS' collaborative capability development.
35. With a view to enhancing operational cooperation, **the PESCO commitments should be updated and extended** in line with the Strategic Compass, to factor in the EU Rapid Deployment Capacity (EU RDC) and associated strategic enablers, the European Peace Facility (EPF), live exercises, and to extend cooperation to all operational domains – land, air, maritime, cyber security and defence, and space. **DELETED**
36. Last but not least, as several pMS have signalled their readiness to strengthen the European defence industry, PESCO should be better connected with all other relevant EU policies and instruments, in particular those aimed at strengthening the EDTIB given its critical importance and role to better equip pMS' armed forces. **DELETED**

¹³ **DELETED**

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Projects and their output

37. The **future PESCO projects** should embody the paradigm shift towards PESCO: they should be strategic and context-relevant, and deliver the most needed capabilities that pMS need **DELETED**.

Upon pMS request, identification of new projects could be further supported by the PESCO secretariat, and decided, for those most strategic and wider-scale projects, at Ministerial-level.

38. To further improve the quality and impact of projects, the pMS are invited to identify **PESCO projects of strategic relevance** to deliver clear operational outcomes for the Union **until 2030**, in line with the Compass, the 2023 EU Capability Development Priorities, including the High Impact Capability Goals, and in line with the CARD collaborative opportunities.
39. The pMS are encouraged to use this approach effectively during the **upcoming waves of new projects**, starting with the 6th wave to be adopted in 2025, as well as to close those projects that are no longer considered relevant or are underperforming. The pMS are also invited to consider an increase in the threshold of the minimum number of pMS required to launch a new project from two to three.
40. Furthermore, the PSR is an opportunity to bring **Ukraine closer to the EU in defence and cooperate within PESCO**. In accordance with relevant Council decisions and with the support of the PESCO secretariat, the pMS are encouraged to **facilitate Ukraine's participation in relevant PESCO projects**. This might also be possible as early as the 6th wave of projects to be adopted in 2025. The participation of Ukraine in PESCO projects would facilitate Ukraine's inclusion into the EU defence landscape, as well as the integration of its national industry into the EDTIB. **DELETED**
41. To ensure **outputs of concrete benefit**, there should be early and structured involvement of the end-users (pMS' Armed Forces) throughout the project's life cycles. **DELETED**

Successfully delivered outcomes resulting from PESCO projects could carry a **"PESCO label"** to denote their evolution into operational capabilities, increasing overall visibility and political ownership. This will also improve the **transfer and handover of successfully completed PESCO projects into EU structures** and processes, where relevant.

42. To improve the coherence among EU defence initiatives, the pMS should reflect on how to better link up PESCO, the EDF, the proposed EDIP, and future programmes, including **to facilitate and**

clarify the access to EU funding for PESCO projects. Responsibility for this should remain with pMS that coordinate and participate in the respective projects, while taking into account the role of the PESCO secretariat as a single point of contact within the Union's framework for all PESCO matters. Close cooperation with the European Commission to that effect would also contribute to better coherence and improved output.

Processes and PESCO secretariat

43. The PESCO processes and timelines at this stage are well established and familiar in pMS capitals. To better support a more ambitious PESCO, pMS are encouraged to further reflect on the role of **the PESCO secretariat**, including in assessing the fulfilment of the commitments, as well as in assisting the pMS in project management, and ensuring coherence with other EU tools and instruments.

44. **DELETED**

45. To **enable better strategic communication on PESCO**, pMS are invited to consider tasking the PESCO secretariat on communicating on PESCO achievements and providing a greater level of information on PESCO commitments and projects. **DELETED**.

Continuous strategic communication is essential for enhancing the public awareness of PESCO and improving its political visibility.

Next Steps

46. Building on the key takeaways from the reflection phase and the recommendations above, the PSR process will continue with the decision phase in the second half of 2024. The aim is to reach an agreement on **the outcomes of the PESCO Strategic Review at the FAC Defence in November 2024 via Council Conclusions**. This will allow the initiation of **the implementation phase in 2025** to formalise the PSR outcomes in the PESCO related Council decisions, as required. **DELETED**



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