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Delegations will find enclosed the Council Conclusions on the PESCO Strategic Review 2020, as approved by written procedure.

**COUNCIL CONCLUSIONS ON
THE PESCO STRATEGIC REVIEW 2020**

The Council approves the outcomes of the PESCO Strategic Review 2020 as presented in the document in the Annex.

PESCO Strategic Review 2020

Launched in December 2017, the Permanent Structured Cooperation (PESCO) represents a step-change in defence cooperation within the Union – with a view to the most demanding missions and contributing to the fulfilment of the Union Level of Ambition (LoA) in security and defence as agreed by the Council in November 2016. It is formed by 25 participating Member States (pMS) which have undertaken 20 more binding commitments between one another, in line with the EU Treaty provisions. Within the institutional and legal framework of PESCO the pMS are taking forward their fulfilment of the more binding commitments, including by demonstrating a positive trend in defence expenditures. Forty-seven collaborative projects have been launched with twelve of them already delivering concrete results or reaching their initial operational capability. The coherence between PESCO and notably the Coordinated Annual Review on Defence (CARD) and the European Defence Fund (EDF) and its precursors promotes a better use of scarce resources by increasing the joint development of the capabilities needed for Europe’s security. Several actions related to PESCO projects were awarded funding under the European Defence Industrial Development Programme (EDIDP) in 2019.

PESCO is a powerful tool that can make a difference in increasing defence investments, enhancing the joint development of capabilities and improving the availability of deployable and interoperable forces, in line with the Protocol (No 10) of the TEU and acknowledging the single set of forces principle. Those forces can be used by pMS within the EU framework, for national needs, as well as in different contexts, such as the UN and NATO. Therefore, the second initial phase (2021-2025) of PESCO should build on the progress made thus far, including by addressing areas where improvement is needed and by working towards delivering tangible results.

Introduction

1. In accordance with the Council Decision (CFSP) 2017/2315 of 11 December 2017 establishing Permanent Structured Cooperation, a strategic review process on PESCO (PSR) started at the end of 2019 and has been developed throughout 2020 to consider updating, and enhancing if necessary, the more binding commitments in light of the achievements made through PESCO in order to reflect the Union's evolving security environment. It provided an opportunity for pMS to assess what has been achieved with regard to the fulfilment of the more binding commitments as well as projects at the end of the first initial phase (2018-2020).
2. The aim of this document is for the Council to conclude the PSR led by the pMS and to provide guidance for the next PESCO phase (2021-2025) in terms of the overall aim, key policy goals, processes associated with PESCO, as well as incentives to improve the fulfilment of the commitments, in particular where progress was assessed by the High Representative and highlighted by the Council as not sufficient, namely on operational commitments and on those related to the European collaborative approach.
3. The Council agrees the results of the discussions supported by the PESCO secretariat that have taken place among pMS since December 2019 on the commitments, underlining that the more binding commitments that pMS have mutually undertaken between one another have proven to present a solid guideline in ensuring consistent implementation of PESCO and must therefore not be changed in the context of the current PESCO Strategic Review. Additional results on the projects and the processes/working methods are presented in Appendix 1.
4. The Council welcomes the list of ongoing PESCO projects presented in Appendix 2, which are expected to deliver concrete results or reach full operational capability by the end of 2025.

Overall aim for the next PESCO phase (2021-2025)

5. PESCO will continue to contribute to the fulfilment of the EU LoA in the area of security and defence, including with a view to the most demanding missions. With this in mind, the overall aim for the second initial phase until 2025 will be to fulfil the more binding commitments which they made to one another, including by working towards a coherent full spectrum force package (FSFP), in line with the PESCO notification, that contributes to the fulfilment of the EU LoA, to be further defined by Member States in the context of the forthcoming Strategic Compass. As a result, this work should lead to improving the defence capabilities of the pMS and to making them also available to CSDP missions and operations as a matter of urgency in line with the Headline Goal process. With a view to achieving such a coherent, interoperable, deployable and modular FSFP, Member States' capability development will continue in accordance with the EU Capability Development Priorities, including the High Impact Capability Goals and the CARD recommendations, ensuring coherence of output with respective NATO processes, where requirements overlap, while recognising the different nature of the two organisations and their respective responsibilities and memberships. Working towards the FSFP, the pMS should also address the recurrent gaps in the force generation of CSDP missions and operations, while systematically considering and making best use of EU tools in developing their capabilities.

Policy goals for the implementation of the commitments and projects in the next PESCO phase (2021- 2025)

6. Underlining the need, in line with Council Decision 2017/2315 establishing PESCO, to fulfil, by 2025, the more binding commitments which they made to one another and acknowledging the importance of achieving concrete outputs and tangible deliverables by the end of the next PESCO phase, the Council agrees on the following guidance for the implementation of the PESCO more binding commitments:
- In light of the security environment and the Union’s international responsibilities and with a view to achieving agreed objectives, pMS should respect the collective benchmarks for defence spending and allocate the necessary resources to strengthen the positive trend in regularly increasing defence budgets and defence investment, also in the context of addressing challenges in a coordinated manner resulting from the financial consequences of the COVID-19 crisis for defence.
 - To bring the defence apparatus of the pMS further in line with each other by systematically considering and making best use of the EU defence tools and initiatives (CDP, including HICGs, CARD, PESCO, EDF), in their national defence planning processes in order to enhance their coherence. That includes making a reference to those tools and initiatives when conducting national defence reviews. The outcome of such reviews should be shared and presented to the other pMS whenever possible.
 - To better use PESCO projects to enhance pMS operational capacities and to support work towards the coherent FSFP, in line with the EU LoA and the PESCO notification.

- To further enhance the availability, readiness and interoperability of strategically deployable formations for the realisation of the EU LoA, including by exploring the possibility of common strategic planning, training and exercises of Member States' armed forces. This should be built on and supported by existing EU military tools, e.g. the EU Battlegroups, and also other multinational structures, based on the principles of inclusiveness, transparency and openness to all pMS, and linked to the Headline Goal process and Rapid Response Data Base as well as to the work on military mobility.
- To strengthen the Union's operational effectiveness, in particular by providing substantive contributions to the forces and assets required for military missions and operations and by completing force generations, including by providing the full personnel needed for EU Operation and Force Headquarters, as well as for the Military Planning and Conduct Capability (MPCC), in order to further strengthen the latter's capacity to plan and conduct CSDP missions and operations, in line with its agreed mandate.
- To further develop capabilities in line with the EU Capability Development Priorities and associated Strategic Context Cases, including the High Impact Capability Goals. To consider as a priority a European collaborative approach in order to fill capability shortcomings and make best use of the European Defence Agency (EDA) as the European forum for joint capability development in line with the agreed commitment in PESCO.
- Ensure that all projects with regard to capabilities led by pMS will make the European defence industry more competitive and that cooperation programmes and acquisition strategies adopted by pMS will have a positive impact on the European Defence Technological and Industrial Base (EDTIB), including by promoting the cross-border participation of SMEs and Mid-Caps throughout the European Union.

7. In order to ensure effective implementation of PESCO projects contributing to the fulfilment of the more binding commitments and helping to implement capability priorities identified under the CDP and CARD, the Council agrees on the following guidance for the PESCO projects in the next PESCO phase:
- To focus capability development efforts on both short-term capability shortfalls and next generation capabilities to address high-end shortfalls and to prepare for PESCO projects beyond 2025. To fully take into consideration the findings and recommendations as well as the focus areas identified in the upcoming CARD Report for future common planning, which also serves as a pathfinder helping pMS to identify opportunities for future PESCO projects;
 - To submit PESCO project proposals, among others, with an operational focus and short-term impact based on already existing capabilities, focusing notably on the joint training and exercising of armed forces in order to facilitate joint deployment in the field;
 - To improve the governance as well as management of PESCO projects, taking into account the results of pMS' discussions as described in Appendix 1;
 - To ensure that the PESCO projects identified in Appendix 2 will deliver concrete results or will reach full operational capability before the end of the next PESCO phase (2021–2025).

Incentives to improve follow-up and fulfilment of the more binding commitments

8. The Council stresses the importance of political momentum for PESCO and of the Council's role in providing strategic direction for PESCO on an annual basis and agrees that there is a need for the pMS to improve the fulfilment of all the more binding commitments, with a particular focus on the operational commitments and the commitments related to the European collaborative approach. To that end, the Council agrees the following incentives:

- With the aim of enhancing the availability, deployability and interoperability of forces and capabilities for their use in CSDP missions and operations, force sensing and force generation issues will be raised at the political level more systematically including in the preparation of and follow up to force generation conferences.
- Transparency among the pMS on their respective fulfilment of the commitments should be further enhanced. In this regard, the possibility to set indicative measurable objectives with related progress indicators, including for the operational commitments in order to provide a fair share to the respective force generation for CSDP missions and operations, within Member States' means and capabilities, should be further discussed in the context of the revision of the Council Recommendation on sequencing and specifying more precise objective.
- Ensure regular exchanges between the pMS in PSC and/or COREPER on the progress of PESCO implementation focusing in particular on the areas in which efforts have to be maintained or enhanced (e.g. fulfilment of defence spending commitments, national efforts to reflect the European collaborative approach in developing capabilities, the progress of projects or the progress in systematically considering and making best use of the EU defence planning tools and initiatives in national defence planning processes).

- Further explore links between relevant EU financial instruments in the context of the next MFF when it comes to operational commitments, and the implementation of PESCO projects in the operational domain, including by involving the PESCO secretariat and, as appropriate, the Commission services in the proceedings of the projects. Explore ways to improve the financing of military missions and operations in the context of the EPF Council Decision, in particular regarding the deployment of EU Battlegroups and, in due course, of the deployment of critical capabilities, based on lessons learned from ongoing missions and operations. The possibility of regularly reviewing the common costs, based on the lessons identified during previous and ongoing crises and CSDP missions and operations, could contribute to the fulfilment of the relevant PESCO commitment.
- Explore the existing financial incentives (e.g. VAT exemption for ad hoc projects in EDA) in support of defence cooperation in accordance with applicable EU law and respective national regulation.
- Promote openness in cross-border supply chains, particularly for SMEs and Mid-Caps, in order to generate long term stimulus effects for pMS defence industries' engagement in the implementation of PESCO projects, including through the EDF, also with a view to stimulating emerging and disruptive technologies as well as innovation within a more integrated, sustainable, innovative and competitive EDTIB, which remains open for cooperation.

Way forward and next steps

9. The present document concludes the PSR in 2020 with the main outcomes on improving the related PESCO processes and identifying the policy goals, objectives and further incentives for the next PESCO phase in 2021-2025. Subsequently, the Council Recommendation on the sequencing of the more binding commitments and specifying the more precise objectives will be reviewed at the beginning of the next phase in 2021. In accordance with Council Decision (CFSP) 2017/2315, and taking into account relevant defence initiatives and the future Strategic Compass, the next PSR will be conducted before the end of the second initial phase, in 2025. In this context, as stated in the PESCO notification, which also recalls the specific character of the security and defence policy of certain Member States, pMS will assess the fulfilment of all PESCO commitments, discuss and decide on new commitments, with a view to embarking on a new stage towards European security and defence integration.

Results of participating Member States' discussions related to the Commitments, the PESCO Projects and the Processes/Working methods

Commitments

The pMS underlined that the more binding commitments that they have mutually undertaken between one another have proven to present a solid guideline in ensuring consistent implementation of PESCO and must therefore not be changed. However, as assessed by the High Representative and highlighted by the Council in June 2020, the progress made in the fulfilment of those commitments, namely on operational commitments and on those related to the European collaborative approach was not sufficient and there is a need for pMS to step up the efforts to fulfil all more binding commitments with a view to the most demanding missions and contributing to the fulfilment of the EU's Level of Ambition. The possible establishment of indicative measurable objectives with related progress indicators and developing incentives for the fulfilment of the operational commitments, which will be further discussed, could contribute to this.

While agreeing on the importance of fulfilling and/or adapting the existing more precise objectives as appropriate, the pMS, in light of the evolving security context, considered setting more precise objectives in areas of cooperation such as climate change, countering hybrid threats, cyber, artificial intelligence, space-related aspects, energy security and maritime security. The Council Recommendation on sequencing and specifying more precise objectives will be revised at the beginning of 2021 with a view to setting the objectives and concrete deliverables for the next PESCO phase (2021-2025) in line with the PSR. The PESCO secretariat together with the pMS will make proposals in this regard. These objectives should be based on the existing binding commitments.

Furthermore, the need of an expert level workshop on more precise objectives has been identified, which will be held by the PESCO secretariat after the Foreign Affairs Council meeting of 20 November 2020.

PESCO projects

Regarding the PESCO projects, the pMS underlined that the current reporting system on the progress of PESCO projects should be maintained and fully exploited, including through the further development of aspects for project management, such as commonly agreed progress indicators, risk indicators and criteria for success, in order to provide for more transparency in the progress on PESCO projects. Whereas on the review process of the progress of projects, when project members identify that projects cannot provide the expected outputs, those projects should either be revived or closed, through decision by the participating project members, to ensure the relevance, effectiveness, and credibility of all PESCO projects.

The pMS also acknowledged that, respecting the primacy of project members, there is an interest to cluster or merge some projects in order to increase their impact and efficiency, save resources, increase synergies and prevent duplications.

Upon request by pMS, the PESCO secretariat could be invited to suggest ideas for potential new PESCO projects that have not been taken up by pMS in the framework of PESCO so far, taking into account the CARD findings and recommendations as well as the EU Capability Development Priorities derived from the CDP, including the HICGs. The PESCO secretariat is also invited, in the context of the HR Annual Report on PESCO Implementation, to monitor the progress of projects and make recommendations for maintaining a steady pace towards concrete deliverables, notably on the basis of dedicated roadmaps provided by project members.

While PESCO remains a Member State-driven process, the pMS acknowledged the crucial supporting role of the PESCO secretariat during the initial phase of PESCO, and foresee a stronger advisory role for it in the future, notably during the processes of potential clustering, merging and closing of projects, subject to respective project members' decisions. In this regard, the PESCO secretariat should, also taking into account CARD findings and recommendations, develop and maintain a comprehensive mapping of projects, as a key prerequisite for clustering.

Processes/working methods

Following the consultations on the processes/working methods as well as options for improving the overall PESCO timeline, while ensuring the necessary political momentum and the Council's role in providing strategic direction and guidance for PESCO on an annual basis, the pMS agreed on the following adjustments related to the PESCO timelines:

- Transparency among pMS (on the fulfilment of the commitments as well as for the implementation of projects) should remain at the heart of PESCO processes and working methods. NIPs will be reviewed and updated by pMS as appropriate and submitted annually to guarantee an efficient assessment of pMS' progress. The PESCO secretariat is invited to assess additional means and provide, as a matter of priority, concrete solutions to alleviate unnecessary administrative burden for pMS, without lowering the quality of the information provided or the number of more binding commitments evaluated. This could entail developing a digital platform for the submission of NIPs that could feature partially prefilled information per pMS, based on information already provided by them in the context of PESCO, CARD and other relevant EU defence initiatives.
- Every other year, the NIPs should be accompanied by a high-level political statement in which pMS could outline main achievements and state specific national priorities and contributions. Regular high-level political discussions between the pMS and the HR should continue to ensure political momentum. The NIPs will be communicated annually to the PESCO secretariat by 10 March. Every year, the High Representative will present the Annual Report on PESCO implementation by July, with a view to the Council adopting its recommendation assessing the progress made by the pMS to fulfil the commitments undertaken in the framework of PESCO by November.

- In order to better take into account CARD results, new PESCO projects will be considered, and may be agreed upon by the Council, once every two years, thus turning to a biennial project cycle without excluding the possibility for exceptional submission of projects in between. New project calls will be launched every even-numbered year, and new PESCO projects may be agreed upon every odd-numbered year. Calls will be launched in July following the CARD Aggregated Analysis, with the deadline for submission of proposals being October, followed by a period of project proposals assessment and clarifications, including to ensure higher participation by the pMS. On the basis of the recommendation by the High Representative and following a military advice from the EUMC to the PSC, the Council will, where relevant, adopt a decision to amend the list of PESCO projects by May. A transition period is foreseen in 2021 during which the next call for proposals for new PESCO projects will be launched exceptionally at the beginning of March with a deadline for submission of proposals by the end of June, and the Council may agree on a new list of PESCO projects in November 2021.

PESCO projects planned to deliver concrete results / full operational capability (FOC) before the end of the next PESCO phase (2021-2025)

Training, Facilities:

- EU Cyber Academia and Innovation Hub (EU CAIH)
- European Union Network of Diving Centres (EUNDC)
- Integrated European Joint Training and Simulation Center (EUROSIM)
- Helicopter Hot and High Training (H3T)
- Joint EU Intelligence School (JEIS)
- Electronic Warfare Capability and Interoperability Programme for Future JISR Cooperation
- CBRN Defence Training Range (CBRNDTR)

Land, Formations:

- EUFOR Crisis Response Operation Core (EUFOR CROC)
- Integrated Unmanned Ground System (UGS)
- EU Beyond Line Of Sight (BLOS) Land Battlefield Missile Systems

Maritime

- Harbour and Maritime Surveillance and Protection (HARMSPRO)
- Upgrade of Maritime Surveillance (UMS)
- Deployable Modular Underwater Intervention Capability Package (DIVEPACK)

Cyber, C4ISR

- European Secure Software defined Radio (ESSOR)
- Cyber Threats and Incident Response Information Sharing Platform (CTIRISP)
- Cyber Rapid Response Teams and Mutual Assistance in Cyber Security (CRRT)
- Strategic Command and Control System for CSDP Missions and Operations (ESC2)
- One Deployable SOF Tactical C2 Command Post (SOCC)

Joint Enabling

- Energy Operational Function (EOF)
- Military Mobility
- European Medical Command (EMC)
- Network of Logistic Hubs in Europe and Support to operations (NetLogHubs)
- EU Radio Navigation Solution (EURAS)

- GeoMETOC Support Coordination Element (GMSCE)
 - Material and components for technological EU competitiveness (MAC-EU)
 - CBRN Surveillance as a Service (CBRN SaaS)
-