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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 04/03/2024

Annual Progress Report on the Implementation of the Strategic Compass for Security and Defence

HR(2024) 41
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PUBLIC

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

"Annual Progress Report on the Implementation of the Strategic Compass for Security and Defence"

INTRODUCTION

Since its adoption in March 2022, we have swiftly implemented many of the goals set in the Strategic Compass. Russia's war of aggression against Ukraine has instilled further urgency into our efforts to make the EU a stronger and more credible security and defence actor. Our response to this military aggression has been united and unprecedented from the start, rapidly putting the Compass into motion and mobilising tools foreseen across its four pillars. This included the provision of lethal and non-lethal equipment as well as the training of more than 40,000 Ukrainian military and capacity building of Ukrainian armed forces. With our new training target of 60,000 by the summer the EU will be the largest provider of military training to the Ukrainian Armed Forces. Our resolve and commitment to support Ukraine for as long as it takes remains unabated.

We have developed stronger and more adaptable crisis management tools and response, both civilian and military. With our recently launched EU maritime operation ASPIDES, we provide a concrete and decisive answer to the growing threat against maritime security in the Red Sea and the Gulf region. Our Security and Defence Initiative in the Gulf of Guinea launched at the end of 2023 addresses security challenges and spill over of instability from the Sahel. Earlier in 2023, we also launched missions in Armenia, in the context of the deteriorating security situation at the border with Azerbaijan, and in the Republic of Moldova to strengthen their resilience to hybrid threats. We have also successfully reached the strategic objective for the EU Training Mission in Mozambique through the training of eleven companies. In parallel, we continue supporting our partners in Africa and elsewhere through the provision of equipment, training, and mentoring. We see a growing need to answer quickly to crises. Having the EU Rapid Deployment Capacity fully operational by 2025 is still one of our main priorities. The first ever EU Live Exercise held in October 2023 in Spain contributed to improve military cooperation on the ground between Member States. More exercises are planned for the next years.

Under the guidance of the Compass, we continue to advance on our ability to guarantee access to strategic domains. In the past year, we updated existing and elaborated a number of new strategies and policies, such as the updated EU Maritime Security Strategy, the EU Policy on Cyber Defence, the Action Plan on Military Mobility 2.0 or the first EU Space Strategy for Security and Defence, among others. From March 2023, greater emphasis was put on concrete implementation, including the allocation of adequate level of resources, forces and capabilities.

Based on a better understanding of urgent procurement needs and industrial capacity in Europe, we have incentivised joint procurement to address both the short-term needs of Ukraine and of the Member States. We now provide financial support to joint procurement of defence equipment and the ramping-up of the industrial production of ammunition in Europe. The next step is to move from emergency measures in specific sectors, to a structural strengthening of the European Defence Technological and Industrial Base (EDTIB) across the board. We are spending more on defence. But we also need to spend better, together and European. This is why we have developed the first European Defence Industrial Strategy. We need to incentivise the joint development and procurement of key strategic capabilities, rapidly ramp-up the production capacities of the European defence industry, address supply chain bottlenecks, and improve the regulatory framework as well as the industry's access to finance. We continue investing more in next-generation and cutting-edge capabilities as well as innovative technologies.

Finally, there has been an unprecedented boost in peace, security and defence tailored partnerships with multiple actors worldwide, including with the North Atlantic Treaty Organisation (NATO), the United Nations and numerous bilateral partners in various regions of the world. This is translated in a growing number of joint activities, including in the field of military mobility, cybersecurity, maritime security and space. The success of the first ever Schuman Security and Defence Partnership Forum illustrated the growing role of the EU as a peace, security and defence actor.

ACT

We have accelerated the process of adapting our civilian and military tools to project security, stability and peace in various theatres in our neighbourhood and beyond. The growing number and variety of crises requires our action to be more tailor-made and responsive to the demands of our partners. Over the last year, we have demonstrated resolve in strengthening the EU's posture as a stronger crisis management actor in defence of EU interests. The latest example of this is our recently launched maritime security operation in the Red Sea and the Gulf region.

PUBLIC

Faster, more flexible and responsive engagement on the ground

With our missions and operations, we continued to strengthen the security and defence of partners and contributed to addressing security challenges across the world.

The **EU Military Assistance Mission in support of Ukraine** has so far trained over 40,000 Ukrainian soldiers, strengthening the capacity of Ukraine's armed forces to defend their country's territorial integrity. Our new goal is to train 20,000 extra soldiers by summer 2024. The Mission provides basic recruit, specialised, collective and leadership training. It has now expanded to cover maritime and air domains and works closely with other likeminded international partners. The **EU Advisory Mission for Civilian Security Sector Reform** in Ukraine supports authorities in facilitating the investigation and prosecution of international crimes, as well as in undertaking border management and law enforcement sector reforms, in particular reforms relevant for the preparation of Ukraine's EU accession. Through the **Union Civil Protection Mechanism** (UCPM), we provide emergency assistance to Ukraine's civilian structures, for instance on Chemical Biological Radiological and Nuclear (CBRN), demining, firefighting, energy, food and medical.

The **EU Partnership Mission in the Republic of Moldova** was launched in May 2023 in one of the countries most affected by the fallout of Russia's war of aggression against Ukraine. This civilian mission helps enhance the Moldovan security sector resilience in the areas of crisis management and hybrid threats, including cybersecurity and countering Foreign Information Manipulation and Interference. We also provided EUR 137 million assistance for the period 2021-2024 through the European Peace Facility. We established a new sanctions regime targeting those responsible for destabilising the country.

Considering persistent tensions and risks of further degradation of the security situation between Armenia and Azerbaijan, we have strengthened the **EU Mission in Armenia** with additional staff and infrastructure. This mission contributes to defusing tensions at the border with Azerbaijan, to human security in conflict-affected areas in Armenia and complements EU confidence building and mediation efforts in the region.

In 2023, we were confronted with various challenges in the **Sahel**. Military coups both in Mali and in Niger have put our civilian and military Common Security and Defence Policy (CSDP) engagement under severe pressure. The withdrawal of the UN Mission in Mali (MINUSMA) as well as the withdrawal of Niger, Burkina Faso and Mali from the Economic Community of West African States (ECOWAS) add to the complexity of the challenges. While we will end our presence in Niger soon at the request of the de facto authorities, the future of our CSDP engagement in Mali remains uncertain. The combination of political instability, violent extremism and hostile actions of strategic competitors can further destabilise the region, with direct consequences for the EU.

While the nature of our engagement needs to change into a more flexible and demand-driven approach, we remain engaged to bring peace, security and stability in West and Central Africa. That is why we launched in December 2023 the **Security and Defence Initiative in support of West African countries of the Gulf of Guinea** (Côte d'Ivoire, Ghana, Togo and Benin). This initiative provides tailor-made support based on needs identified and formulated by the four countries, strengthening their security and defence capabilities to address the spillover of instability from the Sahel. It was designed with a flexible and light footprint, encompassing both civilian and military expertise. While civilian and military advisors will reinforce EU Delegations across the region, additional experts and/or specialised teams will be on stand-by to respond to specific requests for support.

In response to the sharp deterioration of the maritime security and freedom of navigation in the **Red Sea and the Gulf region**, we launched a **new maritime security operation** EUNAVFOR ASPIDES on 19 February. Together with partners in the region, the operation will protect ships under attack, accompany vessels and reinforce maritime security awareness. This naval engagement complements the EU's existing maritime presence. It will build on the existing *ad hoc* European coalition in the Strait of Hormuz, operation AGENOR, and reinforces the EU's credibility as a maritime security actor.

Through the **European Peace Facility** (EPF), we further enhanced our contribution to conflict prevention, peace and international security by providing security and defence support to partners in compliance with international human rights and international humanitarian law. To date, we have adopted assistance measures to strengthen the capacities of 22 partners. We are also increasing our support to the security of a wider range of partners, mainly directed at national armed forces, in the Eastern neighbourhood, the Western Balkans, the Middle East and Africa. To match our ambitious goals in providing military support to partners and to back crisis management commitments, the overall financial ceiling of the EPF was increased twice in 2023 from EUR 5.6 billion to EUR 12 billion. Via the EPF, we financed a wide and tailored package of military assistance including both lethal and non-lethal equipment and training in support of the Ukrainian Armed Forces. This has amounted to EUR 6.1 billion. This includes a specific programme funded with EUR 2 billion for the delivery from stocks and the joint procurement of ammunition and missiles by EU Member States. Together with Member States, the EU has provided around EUR 28 billion worth of military support to Ukraine in 2022 and 2023. Preliminary estimations for 2024 confirm that the allocations for the military assistance to Ukraine will remain at comparable figures, if not higher than in 2023. We will continue to further adapt the EPF to address the increasing needs of Ukraine, notably through the establishment of the Ukraine Assistance Fund as a dedicated envelope within the EPF.

Making use of more efficient and robust instruments

We advanced our work on making the **EU Rapid Deployment Capacity** (EU RDC) fully operational by 2025. Three operational scenarios have been finalised, including military support to humanitarian assistance and disaster relief, allowing us to advance on the planning and requirements. The **first ever EU live military exercise** with units, troops and personnel from 19 Member States took place in October 2023 in Spain and is key to enhance the readiness and interoperability of our troops. The next live exercise will take place before the end of this year. The **Military Planning and Conduct Capability** (MPCC) is about to double in staff and operate new infrastructure equipped with state-of-the-art capabilities and secure communications, necessary for it to be the preferred EU command and control structure. We have discussed proposals on **reassessing the scope and definition of common costs** for military missions and operations, exercise-related costs and EU RDC. In the coming months, we will continue to focus on ensuring that required forces, capabilities and strategic enablers are available to the EU RDC.

Russia's ongoing war of aggression against Ukraine has increased the urgency and importance of **Military Mobility**. The implementation of the Military Mobility Action Plan 2.0 is well on-track. We have strengthened our efforts to adapt **dual-use transport infrastructure** with a total budget of EUR 1.74 billion allocated through the Connecting Europe Facility to co-fund 95 military mobility projects between 2021 and 2023. Responding to this urgency, we frontloaded the military mobility budget to accelerate support to civil-military transport projects and adapted our regulatory framework to address their needs. We are seeking to further improve our capacity to facilitate short-notice and large-scale movements of military forces across EU territory. We will do this in close consultation with NATO.

We have continued to strengthen preparedness for **mutual assistance** in case of an armed aggression (Article 42(7) TEU). In March 2023, EU Member States simulated a scenario involving space-related threats. We will continue to organise and conduct regular exercises with regard to Article 42(7).

An ambitious **new Civilian CSDP Compact** was adopted in May 2023 to make our civilian missions more effective and flexible. We will continue to improve our rapid response, including the ability to deploy 200 civilian experts in 30 days. Deriving from the Compact, a **Civilian Capability Development Process** has been set up to provide a clear overview of available capabilities as well as existing shortfalls, to better support civilian CSDP missions. We are also strengthening the **Civilian Planning and Conduct Capability** as civilian operations headquarters to plan and conduct missions.

We have expanded our **mediation** consultations and support actions in nearly 30 conflicts. We continued to act as a mediator (e.g. Belgrade-Pristina Dialogue), while in other cases we supported international, regional or local mediation actors. We have a strong mediation partnership with the United Nations, for example in Yemen, Syria and Libya. We will continue updating our tools for **early warning and conflict analysis**.

Upholding **human rights** and **gender equality** is essential to a values-based, credible and effective security and defence policy. We will continue working on the integration of gender equality and human rights standards in civilian and military CSDP, making sure we have a solid pool of relevant expertise and training modules. We are increasingly providing support to third parties' security and defence sectors around the world. To ensure compliance with and promote international human rights and humanitarian law obligations and commitments, we adopted the EU Human Rights and International Human Rights Due Diligence Policy on Security Support to third parties.

SECURE

We have further built our resilience to ensure free, safe and secure access to the strategic domains which are increasingly contested. This is essential to protect our citizens, defend our interests and support our partners worldwide.

Boosting our intelligence capacities, situational awareness and strategic foresight

To boost our intelligence-based situational awareness, we continue to strengthen the **Single Intelligence Analysis Capacity**, including through new secured infrastructure. This is also essential to carry out the new threat analysis foreseen for 2025, contributing to building a common strategic culture. In addition, we are reinforcing the **EU Satellite Centre** to increase the EU's autonomous geospatial intelligence capacity, as discussed in the Ministerial Steering Board meeting in August 2023. The Satellite Centre will benefit from autonomous and secured access to governmental imagery, the setup of an EU Earth-Observation governmental service and of a classified Information Technology platform.

Countering hybrid threats, foreign information manipulation and interference, and strengthening resilience

The use of hybrid tactics against the EU, its Member States and partners continues to increase. In 2023, the resilience of our critical infrastructure, such as underwater gas pipelines and data cables in the Baltic Sea, has been put to a test. Migrants at the EU's external borders continue to be instrumentalised. Foreign information manipulation and interference is on the rise. The **EU Hybrid Toolbox** has improved our overall collective capacity to detect possible hybrid threats. It has also advanced our common situational awareness and ability to issue coordinated responses. To further strengthen our resilience, we updated the EU operational protocol for countering hybrid threats in April 2023 and identified gaps and needs in existing hybrid sectoral resilience baselines at EU level in January 2024. We are establishing **EU Hybrid Rapid Response Teams** to provide short-term and tailored assistance to Member States, partners, or EU missions and operations. Strengthening the resilience of partners to hybrid threats was concretely demonstrated in Moldova through the **Hybrid Risk Survey.** This in-depth process produced recommendations which paved the way for the launch of the EU Partnership Mission in the country and which will further inform our tailor-made support.

Considering the increasing scale and sophistication of foreign information manipulation and interference (FIMI), including threats to our democratic processes, security, social cohesion and fundamental rights, we have developed the **EU FIMI Toolbox**. It covers situational awareness, resilience building, disruption and regulation as well as external action response, given the disinformation targeting our missions and operations, in particular in the Eastern neighbourhood and Sub-Saharan Africa. We have also collected information on incidents more systematically. The establishment of the **FIMI Information Sharing and Analysis Center** provides a common analytical framework and methodology among Member States, partners and other actors, to expose, attribute and propose restrictive measures against perpetrators. This feeds into the **FIMI Data Space** developed in close cooperation with civil society.

We continued to reinforce the **resilience of critical infrastructure** in key sectors, for eighteen critical sectors by taking measures for a high common level of cybersecurity across the Union (NIS2 Directive). This is complemented by the Critical Entities Resilience Directive (CER) that aims to strengthen the resilience of critical entities against a range of threats, including natural hazards, terrorist attacks, insider threats, or sabotage, as well as public health emergencies. The Commission has taken action and listed essential services in eleven sectors: energy, transport, banking, financial market infrastructure, health, drinking water, waste water, digital infrastructure, public administration, space, and the production, processing and distribution of food, to further enhance EU resilience. To respond to attempts targeting critical infrastructure with significant cross-border relevance, we need to enhance coordination at EU level. In September 2023, the Commission made proposals in this regard. Work has also intensified on stress tests on critical infrastructure, starting with the energy sector. For instance, we are multiplying cybersecurity risk assessments for the electricity and telecommunications sectors.

Securing our access to strategic domains

Cyberspace has become a field of strategic competition. We are strengthening our cyber posture to promote international order in cyberspace and address malicious cyber activities. Through the **EU Policy on Cyber Defence** we are investing in our resilience, including through the deployment of full-spectrum defensive cyber capabilities. We will also start the development of an **EU Cyber Defence Coordination Centre** with the aim to enhance coordination and situational awareness in the cyber domain, building on the Permanent Structured Cooperation (PESCO) Cyber and Information Domain Coordination Centre-project. We are further developing the **Cyber Rapid Response Teams** that have already been deployed in support of partners and to test the cyber resilience of our CSDP missions. We **revised our Cyber Diplomacy Toolbox** to increase our ability to take tailored and coordinated diplomatic measures, including through attribution and restrictive measures (sanctions). We responded to malicious cyber activities, including by expressing solidarity with partners such as Albania, the UK and Australia on cyber-attacks against them. We are also funding 28 capacity building programmes covering cyber security, tackling cybercrime and cyber diplomacy.

In April 2023, a proposal for a **Cyber Solidarity Act** was presented to boost the EU cyber resilience and strengthen solidarity at the Union level. It includes the deployment of a European Cybersecurity Shield, made of interconnected Security Operations Centres across the EU, a comprehensive Cybersecurity Emergency Mechanism to improve the EU's cyber posture, as well as a Cybersecurity Incident Review Mechanism to review and assess significant incidents. The Cybersecurity Emergency Mechanism includes the set-up of an EU-level Cybersecurity Reserve with services from trusted private providers that would intervene at Member States' request in case of significant cybersecurity incidents.

In December 2023, we have taken further measures to boost cybersecurity across the EU institutions, bodies, offices and agencies. The **EU Cyber Resilience Act** is expected to be adopted in 2024 and introduces common cybersecurity requirements for more secure hardware and software products making our societies and economies safer against malicious cyber threat actors.

In the space domain, threats are diversifying and increasing. The geopolitical importance of space has led to the emergence of new actors, both non-state and governmental, as exemplified by the Democratic People's Republic of Korea launching its first military satellite in November 2023. In this context of growing strategic competition, the High Representative and the Commission presented the **first ever EU Space Strategy for Security and Defence** in March 2023. The Strategy contributes to strengthening the strategic posture of the EU as a space power. It will help improve the resilience and protection of space infrastructures and space capabilities in the EU, including in support of security and defence. It helps to share a common understanding of space threats, including through the first classified threat landscape analysis issued in January 2024 by the Single Intelligence Analysis Capacity. We are also pursuing deepened partnerships on space security and defence with like-minded countries, including the US, Japan and the Republic of Korea as well as promoting responsible behaviour in space within the UN framework.

We are consolidating our position as a stronger maritime security actor, including in strategic areas of interest where competition and risks of confrontation are growing. The revised **EU Maritime Security Strategy and Action Plan** endorsed in October 2023 reflect these shifts and aim to reinforce the EU's role in the maritime domain by boosting cooperation, investing in maritime awareness, actively managing risks and threats, and providing opportunities to enhance naval capabilities. A first EU Maritime Security exercise will be organised in 2024. The exercise will involve naval and coast guard forces as well as relevant EU agencies involved in addressing incidents related to maritime security. We increased our bilateral cooperation with partners on maritime security. For example, vessels operating under the EU **Coordinated Maritime Presences** in the Gulf of Guinea conducted joint activities with Brazil in September 2023 and India in October 2023. The EU Critical Maritime Routes in the Indo-Pacific (CRIMARIO) project expanded its support to partners in the region on maritime domain awareness. The Common Information Sharing Environment for the maritime domain will become operational in 2024, enabling real time, secured exchange of information among Member States' authorities involved in operations at sea.

The **air domain** is essential for securing our citizens, territories, and interests. Various challenges and threats by state and non-state actors, such as the disruptive use of drones and new technologies, hamper safe access to airspace, within and outside our borders, and demand EU action. A strategic reflection on ensuring a free, safe and secure European access to airspace has taken place in 2023. This provides the basis for an EU Airspace Strategy for security and defence to be adopted by 2025.

Countering terrorism, promoting disarmament, non-proliferation and arms control

The EU's co-chairmanship of the **Global Counterterrorism Forum** has positioned us at the forefront of shaping policies, practices and norms to prevent and counter terrorism and violent extremism. Membership has been extended to Kenya and Kuwait, as part of the EU's goal to further develop partnerships with various governmental and non-governmental actors in Africa, the Middle East and South-East Asia. We have continued to expand our **network of Counter Terrorism/Security Experts in EU Delegations**, for example in the Gulf of Guinea. We particularly helped build African partners' capacities to tackle the growing threat of terrorism.

The severe strain on the global disarmament, non-proliferation and arms control architecture was further amplified by Russia's disruptive actions, including its suspension of the New START Treaty implementation, its withdrawal from the Treaty on Conventional Armed Forces in Europe and its "de-ratification" of the Comprehensive Nuclear-Test-Ban Treaty. We also faced threats of nuclear proliferation in Iran and the Democratic Peoples' Republic of Korea, among others. The EU will continue to relentlessly stand up for the global disarmament, non-proliferation and arms control architecture and enhance our engagement with likeminded partners and the Global South. In 2023, we provided **political and financial support to relevant non-proliferation instruments** and organisations.

Climate change, disasters and emergencies

Climate change and environmental degradation translate among others into water and land scarcity, pollution and contamination, resulting in greater security threats and conflicts. Our New Outlook on how to address the **impacts of climate change and environmental degradation on peace, security and defence** entails 30 concrete actions to enhance the climate adaptation of missions and operations, while ensuring that operational effectiveness is maintained. A Climate and Defence Network was established to support Member States on the implementation of national strategies to prepare their armed forces and defence sector for both the prevention and impact of climate change.

The **EEAS Crisis Response Centre** is fully operational since September 2023. It works as a permanent crisis response capability and coordinates closely with Member States, across EU Institutions (notably the European Commission's Emergency Response and Coordination Centre - ERCC), and partners' crisis centres. The Centre supports consular exercises in non-EU countries and can prepare, evaluate and respond to emergencies threatening the safety of staff in EU Delegations or to consular crises affecting EU citizens abroad. Throughout 2023, the Centre played an important role in evacuation operations from Sudan, Niger and in the Middle East (from Israel and Gaza), with the transport costs co-financed by the Union Civil Protection Mechanism. It contributed to consular and diplomatic cooperation among Member States and partners. We will strengthen the Centre's role in providing 24/7 global situational awareness on a daily basis, especially in times of crisis. We will also enhance the consular and security crisis preparedness of EU Delegations.

Being the central element of the EU Civil Protection Mechanism, the **ERCC** has strengthened its analytical capacity and early warning system, contributing to a better situational awareness. The ERCC continues to serve as a coordination hub to facilitate an efficient and coherent European response during emergencies. It has for example responded to requests from Moldova to reduce dependencies on natural gas from Russia.

INVEST

For several years now, the defence spending of Member States keeps growing. This trend was further accelerated by Russia's full-scale invasion of Ukraine. At the same time, national solutions or "off the shelf" procurement from outside the European Union often trump joint efforts to develop or procure from European industry. Collaborative investments and innovation in the EU remain far below agreed benchmarks. We need to spend better, together. An integrated, innovative, competitive and resilient EDTIB is key to the strengthening of the **EU's defence readiness**. This will be our top priority for the coming years. Our European defence industry needs to be ramped up. Further enhancing our technological sovereignty, security of supply and economic security remains crucial in this regard.

Defence expenditures & priorities

For eight consecutive years, defence spending in the EU has been on the rise. In 2022, total defence expenditure amounted to EUR 240 billion, of which EUR 58 billion was allocated to defence investments. Expenditure and investment are estimated to reach EUR 290 billion and EUR 92 billion, respectively, in 2023. While EU Member States collectively surpass the 20% investment target, total defence expenditure is still only 1.5 % of the Gross Domestic Product overall, albeit with large differences between Member States. Moreover, only 18% of all investments in defence programmes are spent in a collaborative way. This is significantly below the collective benchmark of 35% set in the framework of the European Defence Agency. Overall, Member States' favour national, off-the-shelf procurements often from outside the EU over long-term investments in Research and Development. Despite the general increase of defence spending on Research and Development to EUR 3.5 billion this is still significantly below the 2% collective benchmark in this domain. This trend risks impeding future cooperation in the EU and weakening the EDTIB.

Against the background of Russia's war of aggression against Ukraine, we have adopted our new **2023 EU Capability Development Priorities**, to better reflect the need for high-intensity, multi-domain and conventional warfare. These priorities are the key reference for EU defence initiatives, and will guide us in developing full-spectrum defence capabilities. Based on current operational realities and future threats and challenges, twenty-two priorities across all five military operational domains (land, sea, air, cyber and space) as well as strategic enablers and force multipliers will support our short, medium, and long-term planning, and help us develop the necessary cutting-edge capabilities for our armed forces. At the same time, all five capability planning scenarios of the **Headline Goal Process** have been updated to better reflect operational realities, including rapid deployment in a non-permissive environment.

Based on these new Capability Development Priorities, we launched **the third Coordinated Annual Review on Defence cycle**. The previous report of 2022 already shows the urgency to ensure that increased defence spending contributes to defence needs and covers critical gaps identified in the Capability Development Priorities. It also stresses that we need to further step up cooperation by making best use of the various EU defence initiatives.

To support this important work, we will further strengthen the **European Defence Agency**. We will make best use of the upcoming long-term review to adapt the Agency's mandate to the current environment.

Mobilising EU tools to spend better for ambitious capabilities

We have adopted an ambitious **ammunition initiative** in March 2023 to respond to Ukraine and Member States' urgent needs for artillery ammunition and missiles. To do this, we have put an ambitious framework in place at the EU level in record time, supported by EUR 2 billion from the European Peace Facility, and EUR 500 million from the EU-budget for industrial ramp-up.

We have delivered one third of the total objective of 1 million rounds from our stocks to Ukraine (track 1). We have committed to jointly procure ammunition from the European defence industry and Norway to replenish our stocks and continue supporting Ukraine (track 2). To this effect, in addition to joint procurement from lead nations, the European Defence Agency has swiftly put in place 60 framework contracts for the joint procurement of 155mm ammunition shells or their components. We expect total deliveries to Ukraine to reach more than 50 % of our objective by the end of March. To further support this, we have launched an unprecedented initiative to ramp up industrial production and address critical bottlenecks in the ammunition sector (track 3). **The Act in Support of Ammunition Production** was adopted swiftly in July 2023 with a budget of EUR 500 million. It provides a targeted and timely response to the increased demand for artillery rounds from both EU Member States and Norway, and Ukraine. It will address critical bottlenecks such as explosives and powder across the supply chain. Industrial capacity in Europe is estimated to reach around 1.4 million rounds (152/155mm) per year by the end of 2024. This will allow us to meet and exceed our 1 million objective by the end of 2024, and support further deliveries.

In line with the Defence Investment Gaps Analysis, we have established a **Defence Joint Procurement Task Force.** On the basis of a voluntary mapping of the most urgent procurement needs of interested Member States, as well as available industrial capacity in Europe, the Task Force has identified potential areas for collaboration for short-term joint procurement, for various types of ammunition, soldier equipment, anti-tank weapons, amongst others. In support of these needs, the **European Defence Industry Reinforcement through common Procurement Act** was adopted in October 2023 with a total budget of EUR 300 million. The Commission will finalise the work programme by mid-March together with Members States and Norway, identifying potential areas for common procurement and setting the conditions for EU funding of concrete proposals. These proposals are expected by end July 2024.

We have taken rapid and decisive actions to address the urgent needs of both Member States and Ukraine. However, it is now **time to move from the emergency response to building the EU's long-term readiness**. Russia's continued aggression against Ukraine underlines the urgent need to strengthen the EDTIB in a structural way.

The new **European Defence Industrial Strategy** provides a long-term vision on increasing the readiness and responsiveness of the European defence industry. It will serve as a strategic framework to develop a modern and resilient EDTIB on the long term, and thus bolster Member State's defence capabilities. The Strategy will help us to invest better together in Europe and strengthen the defence industry's competitiveness and resilience. It will also enhance the security of supply, mainstream defence readiness in EU policies, and leverage our partnerships –most importantly with Ukraine.

As part of the Strategy and to support its implementation, the European Commission has put forward a proposal for a **European Defence Investment Programme,** with a proposed budget of EUR 1.5 billion. Negotiations of this new initiative will start without delay.

Securing supply chains and access to resources is vital for an innovative, competitive and resilient European defence industry. In March 2023, the European Commission proposed the **Critical Raw Materials Act** to ensure the EU access to critical raw material supply chains.

Ensuring sufficient access for the European Defence sector to public and private finance is vital, as was also highlighted by the EU Ministers of Defence in a Joint declaration in November 2023. This is why the European Defence Industrial Strategy contains concrete proposals in this regard. Amongst others, we invite the **European Investment Bank** to enhance its support to the European defence industry beyond its ongoing support for dual-use, where such investments would clearly serve to implement the Strategic Compass priorities.

Through a combined effort stemming from the European Investment Fund and the European Defence Fund, we launched a **Defence Equity Facility** in January 2024. This instrument will allow for EUR 175 million investments into private funds supporting innovative dual-use technologies with potential defence applications. The instrument will be activated in the course of 2024.

With three Annual Work Programmes implemented, the **European Defence Fund** has already dedicated around EUR 3 billion in support of defence-related research and development actions, with 101 projects funded so far aiming at developing defence technologies and capabilities needed for next generation defence systems. The attractiveness of the Fund is steadily increasing. Collaborative research and technology projects within the framework of the European Defence Agency between Member States, Norway and Switzerland are growing steadily, representing about one third of Member States' collaborative defence research and technology efforts. In addition, the Agency is increasingly supporting the implementation of EDF funded projects.

Our **Permanent Structured Cooperation** remains a crucial framework for defence cooperation to increase our ability to act and invest together. Denmark joined in May 2023 as the 26th participating Member State. The adoption of 11 new projects in 2023 will help deliver critical capabilities with a more operational focus. The Strategic Review, launched in November 2023, is a major opportunity to adapt the Permanent Structured Cooperation to the changed environment, and make it fit for purpose for the coming years.

Innovation, disruptive technologies and reducing strategic dependencies

In 2023, the European Defence Agency's **Hub for EU Defence Innovation** further developed its portfolio through the experimentation of concepts and technologies with potentially disruptive effects on military operations. In 2023, the concept focused on the space domain, specifically on innovative concepts and technologies that help the development of Very Low Earth Orbit satellite systems for Earth Observation and Spectrum Management. The Hub works closely together with the European Commission's **EU Defence Innovation Scheme**. In 2023, the Scheme delivered a wide range of support measures targeting Small and Medium-Sized Enterprises, start-ups and research organizations to encourage the uptake of innovative solutions in defence domain. A total of EUR 224 million from the European Defence Fund was committed to research and development grants, business coaching and defence hackathons. The Commission will continue to further expand the scope of the Scheme.

In February 2024, the establishment of the **Strategic Technologies for Europe Platform** was agreed to further support the EU technological sovereignty and investments in critical technologies with an additional EUR 1.5 billion for defence investments. This will support investments in companies that contribute to preserving a European edge on critical technologies.

Further efforts to identify strategic dependencies in the defence sector are ongoing. The **first classified report of the Observatory of critical technologies** for civil-defence-space industries contains detailed findings on electronic components while a second report on autonomous systems will be finalised soon. Concretely, the reports concentrate on the application, current and future gaps as well as dependencies and related risks for EU defence, space and related civil value chains for these two technologies. Next steps will be the development of mitigation measures to reduce the critical dependencies as well as continuous monitoring the supply chains. Analysis of relevant critical technology areas will continue in 2024.

In June 2023, a **European Economic Security Strategy** was presented with the aim to minimise risks stemming from geopolitical tensions and accelerated technological shifts, while preserving economic openness to a maximum. In October 2023, a list of 10 technology areas critical for EU economic security was established. For the first four priority technology areas (microprocessors, artificial intelligence, quantum technology and biotechnologies) a joint risk assessment with Member States has started with first results expected in the beginning of 2024. Risk assessments for the remaining six technology areas will follow.

In January 2024, the Commission proposed five initiatives to further strengthen **economic security** by reinforcing screening of foreign investment into the EU, stimulating more European coordination in export controls, identifying potential risks stemming from outbound investments, promoting better support for research and development involving technologies with dual-use potential and enhancing research security at national and sectorial level. As part of the package, the Commission proposed a new **Foreign Direct Investment Regulation** to strengthen the current screening mechanism, better harmonise national rules as well as extending screening to investments by EU stakeholders controlled from a non-EU country. In December 2023, the **Anti-Coercion instrument** entered into force providing the EU with the means to deter and respond to the use of economic coercion by third states.

PARTNER

The EU's wide web of partnerships on peace, security and defence is a key source of strength and resilience. The EU remains fully committed to promoting international cooperation and strengthening effective multilateralism at all levels. We further expanded and refined our tailored partnerships with bilateral, regional and multilateral partners across the globe in a mutually beneficial way.

PUBLIC

The EU as a convening power

The first edition of the **Schuman Security and Defence Forum** took place on 20-21 March 2023 in Brussels. More than 50 bilateral, regional and international partners participated alongside EU Defence Ministers, officials, think-tanks and academia. The Forum allowed for valuable exchanges on strategic issues and confirmed the importance the EU attaches to a collaborative approach to international peace, security and defence. With the aim to consolidate the EU's convening power, the second edition of the Schuman Security and Defence Forum will take place on 28-29 May 2024.

Robust multilateral and regional partnerships

In the current challenging geopolitical context our **strategic partnership with NATO** remains indispensable for the Euro-Atlantic security. In line with the third Joint Declaration on EU-NATO cooperation of January 2023, we have reinforced our ties. The strength of our mutually reinforcing and beneficial cooperation is demonstrated by our fully coordinated and complementary response to Russia's war of aggression against Ukraine, including through our common efforts in the context of the US-led Ukraine Defence Contact Group. Cooperation has been taken forward across all agreed areas, including countering hybrid and cyber threats, FIMI, resilience, military mobility, exercises and operational cooperation as well as capacity building for partners. A first **structured dialogue on Space** took place in December 2023. Additional **structured dialogues on Cyber, Emerging and Disruptive Technologies**, as well as on **Climate and Defence** will take place in 2024. In June 2023, a dedicated EU-NATO Task Force on the resilience of critical infrastructures mapped the current security challenges for critical infrastructure and provided detailed recommendations to enhance resilience. This includes proposals for more civil-military coordination, engagement with the private sector, joint exercises, increased situational awareness, monitoring of critical maritime assets, and identifying alternative transport routes in case of disruptions.

Upholding and defending the rules-based order underpins EU's strategic partnership with the **United Nations**. We have been working jointly in support of the principles of the UN Charter, which are constantly challenged by Russia's war of aggression against Ukraine. We remain on course towards implementing the **strategic partnership agreed priorities for 2022-2024 for peace operations and crisis management** as confirmed by the recent joint UN-EU Steering Committee in December 2023. Our missions and operations continue to coordinate and cooperate with UN missions in theatres such as the Central African Republic and Somalia. We also jointly support the peace process in Yemen.

We have also strengthened cooperation with the **Organisation for Security and Cooperation in Europe** particularly on conflict prevention, mediation and security sector governance.

Our cooperation with the **African Union** in promoting peace and security across the African continent and countering the global effects of Russia's war of aggression against Ukraine remains a strategic priority. EU support to African-led Peace Support Operations further materialised through high level dialogues and through continued funding via the European Peace Facility (EUR 730 million for 2021-2024). This increases the operational effectiveness of the Multi-National Joint Task Force against Boko Haram, the African Union Transition Mission in Somalia and the Southern African Development Community mission to Mozambique. Our joint work with AU partners will further support their operations and increase cooperation on cybersecurity and counterterrorism. The EU held its first Structured Dialogue on Conflict Prevention and Peace Mediation with the **Economic Community of West African States** (ECOWAS) in January 2024 in Brussels. We are in constant dialogue with ECOWAS on the security situation in the Sahel.

Based on a shared interest for a free, open and secure Indo-Pacific region, the EU has continued its cooperation with the **Association of Southeast Asian Nations** (ASEAN) on a broad range of security and defence issues. The EU also intensified its relations with the **Gulf Cooperation Council** (GCC), building on the positive momentum following the Strategic Partnership with the Gulf. A regular EU-GCC Regional Security Dialogue has been launched in January 2024. Preparations for **High-Level Forum on Regional Security and Cooperation** to discuss broader regional security questions in spring 2024 are underway.

Tailored bilateral partnerships

As the EU is stepping up its geopolitical posture, we have been further expanding and reinforcing our rich network of tailored bilateral partnerships on security and defence through new dialogues and expanded cooperation with partners around the world. We will advance this through the development of a new **Security and Defence Partnerships** instrument to further build on shared common interests.

We have further enhanced our strategic partnership with the **United States**. The signature of an Administrative Arrangement between the European Defence Agency and the US Department of Defence in April 2023 and the first EU-US joint naval exercise in the Indo-Pacific in March 2023 demonstrate our common resolve to reinforce military and security cooperation. Our Security and Defence Dialogue continued apace. The strong EU-US strategic partnership is notably illustrated by exemplary coordination and cooperation on our multifaceted support to Ukraine. Together with European and transatlantic partners, the EU regularly and actively participates in the US-led Ukraine Defence Contact Group.

We continued our mutually beneficial security and defence dialogues and cooperation with **Norway** and **Canada**. Our cooperation in supporting Ukraine has been outstanding, including coordination through the EU Military Staff Clearing House Cell. Norway became the first non-EU country to contribute to the European Peace Facility in support of EUMAM Ukraine. It has also offered to deploy experts to the EU Partnership Mission in the Republic of Moldova and the EU Mission in Armenia. Canada also offered to contribute to the EU Mission in Armenia by providing experts.

We intensified informal contacts with the **United Kingdom**, pursuing close coordination on Ukraine as well as on other areas of mutual interest. As part of the implementation of the Trade and Cooperation Agreement, the first round of EU-UK dialogues on cyber and counterterrorism took place in December 2023 and February 2024. Both meetings confirmed that the UK remains a like-minded partner open to pragmatic and mutually beneficial cooperation in these areas. We have also intensified engagement with other longstanding partners, and established new security and defence dialogues with **Switzerland** and **Iceland**.

The EU's engagement in security and defence with its **Eastern partners** has been further boosted, notably in the context of Russia's war of aggression against Ukraine. The enlargement agenda and European perspective provide a solid basis to deepen our cooperation with Ukraine, Moldova and Georgia. The EU and its Member States have mobilised the entire scope of available instruments in support of **Ukraine** and its people, for a total amount of EUR 88 billion. In February, we agreed **to provide Ukraine with regular and predictable financial support amounting to EUR 50 billion between now and 2027.** This crucial funding will help Ukraine keep its administration running, pay salaries, pensions, and provide basic public services, as it continues to defend itself against Russia's aggression. In November 2023, we engaged in bilateral negotiations for future EU security commitments to Ukraine to provide long-term support and guarantees, which will help the country to defend itself, resist destabilisation efforts and deter future acts of aggression. We aim to agree our security commitments with Ukraine as soon as possible. We held productive security and defence dialogues and consultations with **Georgia** and **Moldova**. We will provide them with support through the EPF and other tools to enhance their resilience, notably for countering hybrid threats and improving cybersecurity. The EU enhanced its engagement in the **South Caucasus** through the deployment of a mission to **Armenia**, with whom the EU is stepping up its dialogue on peace, security and defence matters.

The EU has also reinforced its support in the **Western Balkans** through the EPF as well as on counterterrorism and resilience. Through the long-standing presence of EUFOR Althea in Bosnia and Herzegovina and EULEX Kosovo, we continue to contribute to peace, stability and reconstruction in the region.

We have continued engaging with our **Southern neighbourhood**, particularly on tackling terrorism, violent extremism, as well as cyber and hybrid threats, organised crime and the challenge of irregular migration. Throughout 2023 and early 2024, we held bilateral meetings with **Algeria**, **Egypt**, **Morocco**, **Israel** and **Türkiye**, among others.

Strengthening the security and resilience of partners in **Africa** remains a key priority for the EU. We expanded our security and defence exchanges with **Kenya**, **Rwanda**, **Ghana** and **Nigeria**. In addition to the support provided through the Neighbourhood Development and International Cooperation Instrument, we have also mobilised the EPF to demonstrate the EU's commitment to train and equip partners' armed forces. Joint naval exercises, port calls and events with partners to reinforce cooperation on maritime security took place through our Coordinated Maritime Presence in the **Gulf of Guinea**.

The EU remains committed to its distinctive role in the **Indo-Pacific region**. Dedicated security and defence dialogues and consultations took place with **Indonesia**, **Vietnam**, **Australia**, **Japan**, **India** and **the Republic of Korea**, enabling increased coordination and pursuit of shared interests. We continued to hold security and defence consultations with **China** annually. We have also intensified **maritime security cooperation** through regular port calls, maritime domain awareness exchanges and joint naval exercises, such as between Operation Atalanta with India and Indonesia, as well as through the expansion of the Coordinated Maritime Presences concept in the North West Indian Ocean.

We are engaging more prominently on security and defence with **Latin American** countries, including through a security and defence dialogue with **Colombia** (November 2023). We are also encouraging the Latin American countries to further boost their participation in the EU-led crisis management missions and operations.

To further boost outreach on security and defence, we are expanding the **networks of military advisors** in EU Delegations. Additional military advisor posts were created in Africa (Benin, Ghana, Ivory Coast and Togo).

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CONCLUSION

At the end of the second year of implementation of the Strategic Compass, we have further improved our ability and readiness in security and defence matters. As demonstrated in this report, concrete achievements were reached across the four pillars. The challenges faced in the past year have been substantial, for example affecting the EU presence and action in the Sahel region, but they prompted us to adapt our strategy and actions and to remain flexible in the future.

The year to come will be key with regard to some of the planned objectives, such as the preparation of an updated threat analysis, the operationalisation of the EU Rapid Deployment Capacity, implementing the European Defence Industrial Strategy, and maintaining our firm support to partners, most notably Ukraine. Naturally, more remains to be done to reach all the objectives set in the Strategic Compass and much depends on Member States to provide necessary resources, forces and capabilities. There is no other choice for the EU and its Member States to invest in their Defence Readiness.

Thus far, the Compass has served its goal of pointing the direction of our travel. In a difficult year for European security, the Compass provided much needed vision and guidance. The rapidly changing geostrategic environment may require a possible revision of the Strategic Compass based on a revised threat analysis in 2025. The EU's security and defence deserve our constant attention. We thus expect this to be high on the next Strategic Agenda for the EU.