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I/A NOTE
From: General Secretariat of the Council
To: Permanent Representatives' Committee / Council
Subject: Report by the Head of the European Defence Agency to the Council

Council's attention is drawn to this report, which was transmitted by the EDA on 19 April and duly noted by PSC on 20 April 2010.
ANNEX

Report by the Head of the European Defence Agency
to the Council – 26 April 2010

The Lisbon Treaty has reinforced the Agency’s central role in the improvement of European capabilities for the Common Security and Defence Policy (CSDP). This added thrust, brought forward by the institutional reform, now needs to be fully utilised.

For the new Head of the Agency, this development supports the comprehensive approach to CSDP capabilities. The enhanced institutional framework of European cooperation offers opportunities to collaborate for cost-effective capability development. New efforts are needed to enhance interoperability and standardisation, not only between military forces, but also between military and civilian actors.

The Agency and its participating Member States will now be challenged - also due to the current budgetary constraints - to fully exploit the added value which European cooperation has to bring.

The Agency’s current legal basis, the Council Joint Action of 2004, has proven to be “fit-for-purpose” for a very well-functioning EDA. However, a new Council Decision on the Agency’s statute, seat and operational rules will be required, in accordance with the provisions of the amended Treaty on European Union (TEU). Preparatory work on such a Council decision has been initiated. This decision should enable the Agency to continue its activities, respecting the TEU provisions and the Joint Action’s proven provisions.
Defence capability development – towards more synergies with other European stakeholders

The implementation of the Capability Development Plan and its twelve selected priorities continues in close cooperation with the EU Military Committee and the EU Military Staff. The Helicopter Training Programme has been launched, based on the concept approved by the Ministerial Steering Board in November 2009. Work is progressing well in other areas, like defence against Chemical, Biological, Nuclear and Radiological (CBRN) threats.

The Third Party Logistics Support Platform is up and running in its pilot phase. Several national and institutional actors have made use of it, saving already millions of euros in their logistic support contracts. Also in other areas, like intelligence, communications and transport, work is progressing well.

The process of updating the CDP is ongoing, with the aim of completing this work in the second half of 2010.

The Agency has launched an important new work strand to identify, evaluate and select opportunities for pooling and sharing of capabilities. Highlighted by the Council Declaration on Strengthening Capabilities of 2008, pooling and sharing can provide solutions for more efficiently meeting European capability requirements in a constrained budgetary environment. The Agency has begun this work with a view of proposing roadmaps for the development of individual capabilities next year.

An increasing number of Category B Projects, with different groups of Member States contributing, are operating under EDA’s umbrella. The Multinational Space-based Imagery Systems (MUSIS) and Future Transport Helicopter projects are progressing well. Several of the Category B projects are steadily developing towards the procurement phase by a chosen executive agency, underlining the need for Council approval of the Administrative Arrangement between EDA and OCCAR as soon as possible.
Maritime Surveillance is an area of particular importance. The Wise Pen Team, consisting of five retired Admirals of participating Member States’ Navies, has provided an important report for the development of Maritime Surveillance capabilities in support of the CSDP. The report is a commendable contribution to the broader work for the Integration of Maritime Surveillance, where the European Commission is leading the work. The interaction between all actors needs to continue and grow in order to enable a truly comprehensive European approach.

**An improved environment for defence research**

In defence research, the new Treaties give additional support to the building of capabilities relevant for CSDP. Europe needs to harness all its resources for a globally competitive European Defence Technological and Industrial Base (EDTIB) – and here better coordination can make a real difference.

The Agency has already coordinated its work with the European Commission and the European Space Agency (ESA) on a case-by-case basis, such as for technology investment for Software Defined Radio. The launch of the European Framework Cooperation (EFC) initiative last November by the Ministerial Steering Board is offering the opportunity to systematically coordinate investment in dual-use technologies between the Commission, EDA and ESA.

The Agency’s first contribution to the EFC - through a programme on Chemical, Biological, Radiological and Nuclear (CBRN) Protection - will underpin the shared objective of more civil-military synergies by applying common underlying technologies.

Preparations are ongoing for another R&T programme in a similarly important domain, Unmanned Aerial Systems (UAS). Synchronising technology investment in this area will support civil-military interoperability and save money in a capability area whose importance will further grow in the future. The work on UAS will help Europe to enhance its competitiveness in this area.
In support of this continuous search for synergies, the commencement of negotiations with the European Space Agency for an Administrative Arrangement is a timely step towards more formal relations between the two organisations.

**A stronger defence industrial base for Europe - built on more competition, harmonised requirements and common standards**

The Agency’s work to identify and support key industrial capabilities for Europe is underway in the domains of Future Air Systems and the ammunition sector. In both areas the objective is to support harmonisation of demand and to ensure that key industrial competences will be preserved or developed in Europe.

European industrial capabilities need to be supported by an open and transparent European Defence Equipment Market (EDEM), based on trust in adequate security of supply of defence equipment. Together with the participating Member States, the Agency will investigate and propose a way forward for a wider European approach to security of supply.

In force since 2006, the Code of Conduct on Defence Procurement (CoC) is now a well-established tool for more transparency and competition in the EDEM. Together with the Commission and the participating Member States, the Agency will assess the complementarity of the CoC and the Defence Procurement Directive and their possible contribution to enhancing transparency and competition of the EDEM.

With the objective of further improving the transparency of the EDEM, the Agency has facilitated the exchange of information on the defence implications of the REACH directive and investigated the potential of offset abatements practices.

A further prerequisite for a strong EDTIB will be the creation of standards that can serve as a catalyst for joint technology development. In support of this strategically important aspect of EDTIB development, the Agency will take over from the Commission the maintenance and development of the European Handbook on Defence Procurement.
The Agency has also started to investigate the implementation of the Single European Sky air traffic management regulations, looking for possible synergies and cost-savings for military aviation. As in the work underway on European Military Airworthiness Requirements, the harmonisation of regulations can provide significant cost-savings by streamlining current fragmented procedures.