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From : Political and Security Committee  
To : Permanent Representatives' Committee/Council  
Subject : Report by the Head of the European Defence Agency to the Council

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Council's attention is drawn to this report, which was transmitted by the EDA on 6 November duly noted by PSC on 8 November 2007.

**HEAD OF THE EUROPEAN DEFENCE AGENCY'S REPORT  
TO THE COUNCIL – 19 NOVEMBER 2007**

**Towards the end of its third year of operation, the Agency continues to deliver substantial results from an agenda addressing the immediate and the long-term. Notably, the progress achieved in the Joint Investment Programme on Force Protection, but also the clear road maps for the Capability Development Plan (CDP) and for the implementation of the European Defence Technological and Industrial Base (EDTIB) Strategy provide examples of the continued delivery of results.**

1. The Agency's work in the second semester of 2007 has been framed by the guidelines adopted by the Council on 13 November 2006 and the Agency's Work Programme for 2007 agreed by the Agency's Steering Board on the same date.
  
2. **Capability Development Plan (CDP):** the Agency has continued to make substantial progress, together with participating Member States (pMS) and in cooperation with the European Union Military Committee (EUMC). Two important milestone documents have been agreed, the Methodology for the development of the CDP and the Road Map.
  - In Strand A the Headline Goal Progress Catalogue will be submitted to the GAERC for endorsement by Defence Ministers. This document provides the basis for the implications and risks associated with the shortfalls in the short-to-medium term.
  
  - Work in Strand B to identify longer-term trends in capability characteristics – beyond the Headline Goal 2010 - has made decisive progress, with the active participation of EUMS, EUMC and pMS.
  
  - In Strand C, the trial phase to collect pMS national plans and programmes in one common database has been successfully completed. 18 pMS have already provided information for 74 programmes. On 1 November the database has gone “active” and

pMS are requested to put relevant information directly into it. This work will allow us to identify opportunities for future co-operation.

- The Military Committee's work in Strand D is progressing.

### 3. **Capabilities:**

In parallel to the on-going CDP activities, the Agency has continued to identify together with pMS in the Integrated Development Teams not only capability gaps but also common military staff targets and requirements, the source base for R&T and development activities aiming to close these gaps.

- In the "Command" area, a Wise Pen has been selected to deliver a draft of a European Network Enabled Capabilities (NEC) Concept. In the field of Software Defined Radio (SDR) work is progressing positively towards a collective European approach for developing a next-generation SDR system – including through ensuring coordination with the ESSOR Category B (opt-in) project (with six pMS and a value of € 125 m) and complementarity with the WINTSEC Programme of the European Commission.
- In the "Inform" area, a Tactical Imagery Exploitation Station (TIES) demonstrator has been delivered and installed at the EU Satellite Centre in Torrejon on 20 September 2007.
- With regard to the "Engagement" area, the Steering Board in Capability Directors' formation has agreed on 28 June on a new Category B programme for Combat Equipment for Dismounted Soldier.
- The shortage of European strategic airlift capabilities continues to be painfully visible, both in crisis management operations as well as for disaster relief. The Agency has initiated a comprehensive study to identify innovative solutions to improve the future strategic transportation capability of the EU, in support of the full spectrum of EU civil and military operations, including disaster relief and humanitarian operations.

#### 4. **Research & Technology:**

- The Joint Investment Programme on Force Protection, whose Programme Arrangement was signed in May 2007 by the Defence Ministers of 20 contributing Members, has made further progress. After a first call for proposals directed to a list of about 270 entities, the Agency received bids from consortia with all in all 150 members. Small and medium enterprises, academic institutions and independent laboratories represent approximately 50% of all bidders. After evaluation, five proposals were selected by contributing Members for contracting. Contract negotiations have already started in October 2007 and we expect the first contract to be signed in December 2007. Furthermore, the Agency initiated work on future possible new JIPs.
- Progress has been made towards the development of a European Defence Research & Technology (EDRT) Strategy covering both ends. As a result of active exchanges and collective exercises with pMS, the Agency is now able to propose a Framework for such Strategy for Steering Board approval on 19 November. This will be complemented in 2008 by the establishment of a list of key technologies, in view of developing a full EDRT strategy.
- The generation of category B R&T projects has not been fully satisfactory, and efforts are being made with pMS to improve this generation process (more projects faster).

#### 5. **Armaments**

- The EDA initiative on Inserting UAV in General Air Traffic gained speed and support from pMS. First results of the Roadmap Study to be contracted soon are expected by Spring 2008. On 25 September, the Steering Board B in NADs formation noted that Agency may need additional funds through the use of “Earmarked Revenue” as foreseen in Article 15 of the Joint Action to be able to invest in this crucial area in the course of next year. EDA will pursue financial and technical discussions with pMS in view of presenting a clear business case in the first semester of 2008.
- To improve cooperation among pMS’ test facilities and reduce over-capacities in Europe, a Code of Conduct for coordinating future investments in the area of Test and

Evaluation has been adopted on 25 September 2007 by the Steering Board at NADs' formation. This Code will be operational from 1 January 2008.

- Best use will be made of the study on Cooperative Lessons Learned. In particular, the Agency is working on the definition of a model for converting an agreed Capability need into a cooperative programme.

6. **Industry & Market:**

- In view of developing a truly European Defence Technological and Industrial Base, the Steering Board at Defence Ministers' level approved in May a European DTIB Strategy, which is about key policy implications and key enablers to achieve it (including clarifying priorities - military capabilities, key technologies and key industrial capabilities, consolidating demand, increasing cooperative investment and competition, and ensuring Security of Supply). Its implementation is underway, with the recent agreement, by the NADs Steering Board, of a number of road maps setting clear milestones and a first review of progress on the EDTIB strategy by the Steering Board in Defence Ministers' formation in May 2008.
- The Agency's tools for creating a European Defence Equipment Market are functioning well – in particular, the implementation of the Code of Conduct on defence procurement, operationalised by the Electronic Bulletin Board, is generally successful. However there are still too few cross border awards, and we will need to encourage a common endeavour by pMS and Industry to ensure that the situation improves as it is a fundamental aspect of the Code's success. Work also started to establish a level playing field and to mitigate the adverse impact of offsets. With constant monitoring by EDA and improvement of its tools, the objective of a more transparent and competitive market can be reached.

7. Overall, I believe that the Agency has already demonstrated and continues to demonstrate that it is a highly effective instrument, which will be as productive as it is ambitious to serve its shareholders' collective interest.