

Replies of the European Defence Agency

To the
European
Court of
Auditors'
Special
Report

THE PREPARATORY ACTION ON DEFENCE RESEARCH

**SOME LESSONS LEARNED, BUT VALUE AS A TESTBED FOR
INCREASING EU DEFENCE SPENDING REDUCED DUE TO TIME
CONSTRAINTS AND LIMITED RESULTS**

This document presents the replies of the European Defence Agency to observations of a Special Report of the European Court of Auditors, in line with Article 259 of the Financial Regulation and to be published together with the Special Report.

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1. EUROPEAN DEFENCE AGENCY'S REPLIES IN BRIEF

The Preparatory Action on Defence Research (PADR) is a concrete step aimed at assessing and demonstrating the added-value of EU supported defence research and technology (R&T). It supported the European Commission in launching the European Defence Fund (EDF) in its research domain.

On 31 May 2017, the European Commission (EC) delegated the management and implementation of the PADR to the European Defence Agency (EDA) because of its experience in defence research and close collaboration with the member states and defence industry's stakeholders. EDA approached the task with high standards of knowledge, diligence, fairness and transparency at all stages: from publishing the approved calls for proposals, through evaluation, grant agreement preparation and signature and finally up to monitoring the implementation of projects funded.

EDA also provided an upstream support to the preparation of the annual PADR calls to ensure a harmonised approach toward setting long-term capability priorities for EU defence research. EDA backed member states with its expertise, provided inputs on the possible research topics and helped in consolidating member states' views. In addition, EDA has developed and is implementing a prioritisation framework (e.g. Capability Development Plan - CDP, Overarching Strategic Research Agenda - OSRA, Coordinated Annual Review on Defence - CARD) to facilitate collaborative defence capability and technology development. In its downstream role, EDA facilitates the exploitation of results of the PADR projects and follow-on actions.

Given the overlap between the PADR and the launch of the EDF, the audit could necessarily only partially capture the results of the PADR programme and the relevant projects.

With this understanding, EDA supports the key observations of the report. Our detailed position is explained in the additional comments in section 2. Regarding the recommendations, EDA accepts recommendation 2 and acknowledges recommendations 1, 3, 4, 5, leaving them for comments and acceptance by entities indicated for their implementation.

2. EUROPEAN DEFENCE AGENCY'S REPLIES TO MAIN OBSERVATIONS OF THE ECA

2.1. Tools to inform the EDF funding priorities

EDA welcomes the ECA's main observation that the PADR annual work programmes were developed in a participatory manner, involving all key stakeholders. It also notes the positive feedback received from the majority of the PADR project coordinators and project participants, confirming that the work programme and the calls addressed the most relevant EU defence capability priorities.

EDA acknowledges the importance of a coordinated and harmonised approach for setting the key long-term capability priorities for EU defence research. To this end, EDA has developed and implements the CDP together with OSRA, which provide a key reference for member states' and EU defence planning, as well as CARD which facilitates collaborative capability development. EDA also actively promotes cooperation between the key stakeholders involved in defence Research & Technology and capability development (member states, the European Commission, industry and EDA).

2.2. Use of PADR to test different types of processes to manage defence projects and identify best practices and problems in implementation

EDA welcomes the ECA's conclusion that the PADR reached its objective "to test different types of processes to manage defence research projects".

For the 12 PADR projects analysed by the ECA¹, the reference to the overall time taken between launching the calls and the time when work on the actual projects could start should take into account the fact that the main driver behind the observed delays before the actual start of work was the long process of obtaining Facility Security Clearance, in accordance with the classification of deliverables set in the grant agreement. This has been a particularly time- and resource-consuming process for new entrants/beneficiaries without previous experience in the defence sector, including small and medium-sized enterprises. It is also worth mentioning that this process is driven by National Security Authority and is independent from EDA.

EDA takes note that the efficiency and usefulness of the project monitoring by EDA and the Commission were appreciated by PADR project coordinators and project participants. EDA recognizes that submitting a PADR project proposal was a complex process². EDA would like to emphasize that the reported administrative complexity of participating in EU defence projects stems from the very nature of the grant procedures and activities, where similar complexities are observable. This is associated with the mechanisms applied by contracting authorities to ensure proper allocation and monitoring of use of public funds.

2.3. Responses to PADR calls

EDA takes note of the observations related to the number, type and geographic origin of the applicants in the PADR calls. EDA has consistently promoted the PADR calls and encouraged wide participation from entities meeting the call eligibility criteria, by organising Info Days open to interested entities. The selection of the project consortia was done in line with the

¹ See ECA observation 45

² See ECA observation 50

award criteria established in the calls and offering all applicants equal opportunities of participation.

EDA corroborates the observation of the ECA regarding the difficulty to contract experts with the required skills, knowledge and experience in defence, while maintaining geographical diversity. The requirements for the possession of personnel security clearance and a validation by the Member State that has issued the clearance were limiting the size of the possible experts' pool; of note however, the expert selection and validation processes were streamlined in the course of the PADR evaluations to mitigate these constraints.

2.4. PADR projects' results

EDA acknowledges the ECA's observation that adequate PADR project results communication and dissemination should have taken place³. EDA notes that the results are missing mainly due to the schedule of PADR calls for proposals or the progress of PADR projects themselves. Dissemination of the results from ongoing PADR projects will take place in accordance with the provisions of Grant Agreement, once the deliverables are available.

Regarding the use of PADR projects' results in the future⁴, EDA would like to emphasise that at this stage it is already possible to state that most of research topics addressed under PADR are either included or planned for continuation under the EDF. These results have been used or are being used to inform the preparation of a detailed description of the EDF research and development topics. The timeframe set for PADR allowed for the results of only a limited number of projects to be available in time to inform the EDF start-up. But the outcomes of the projects financed in PADR will be more widely available for the preparation of topics throughout the lifespan of the EDF.

2.5. PADR lessons learned and longer-term strategy for the EDF

EDA welcomes the ECA's observation from the different sources (ministries of defence, project coordinators and participants) highlighting the need for a multiannual horizon of the EU funded programme in the defence sector⁵. While PADR work programmes were annual, they addressed all strategic clusters which were discussed and agreed between member states and the Commission in the "Scoping Paper for Preparatory Action on Defence Research" before launching PADR. The Scoping Paper provided a multiannual perspective for the entire duration of PADR.

Regarding the availability of tools for EU defence⁶ at the EU level, the necessary planning instruments are already in place, from the prioritisation tools CDP and OSRA, to the defence

³ See ECA observation 64

⁴ See ECA observation 70

⁵ See ECA observation 85

⁶ See ECA observation 89

initiatives (CARD, PESCO). Taken together they are coherent, consistent and mutually reinforcing, but have yet to be systematically considered in national and EU planning processes.

3. EUROPEAN DEFENCE AGENCY'S REPLIES TO THE CONCLUSIONS AND RECOMMENDATIONS OF THE ECA

3.1. Recommendations 1, 3, 4 and 5

EDA acknowledges these recommendations, however, leaves them for comments and acceptance to entities indicated for their implementation.

3.2. Recommendation 2

For the EDF to have its intended impact, the Commission should work together with the European Defence Agency, the European External Action Service and member states to:

- (a) Use the EU defence planning and cooperation tools in a coherent way as an input to better prepare the work programmes;
- (b) Assess how to further develop the planning process for EU defence funding.

Target implementation date: 2026

This recommendation is addressed to the Commission but implies involvement of EDA. For its part, EDA agrees with the recommendation.

Concerning point (a), EDA will continue working with the Commission and member states to use the available tools supporting the implementation of the EU Capability Development Priorities (i.e. CDP together with the Strategic Context Cases and OSRA with its Technology Building Blocks - TBBs) and to assess the further development of the EU defence planning process. In line with its mandate, EDA actively pursues its role as the major intergovernmental prioritisation instrument at the EU level using CDP and OSRA and supporting member states on defence prioritisation.

As of today, EDA's role in EDF is defined in the EDF Regulation as an observer authorising EDA to provide its expert views and advice. In that context, EDA comments any input to the annual EDF Work Programme, in particular regarding the alignment of topics with the EU agreed Capability Development Priorities and with CARD identified collaborative opportunities or technology gaps identified in OSRA and TBBs. EDA is also working with the Commission to prepare the Multiannual Perspective making use of EDA prioritisation tools and data.

In December 2022, EDA Steering Board approved the decision to develop OSRA v3.0. It will include analysis and incorporation of implications stemming from the review of CDP, the CARD process and both EDF multiannual perspective and work programmes to maintain the relevance of OSRA as the core defence R&T planning instrument at EU level. Member states

can use this instrument not only to plan research activities within the EDA framework but also to support their planning of research topics under the EDF framework.

Regarding the point (b), EDA stresses the need to use already developed and available tools (CDP and OSRA), with further adaptation, if necessary, so as to avoid any duplication, and to ensure that the priorities, results, and recommendations deriving from CDP, OSRA, CARD and PESCO are reflected in the context of EDF.