

The Strategic Compass and capability development: Towards greater coherence?



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Report

INTRODUCTION

The Strategic Compass offers an opportunity to increase the coherence of the EU's capability development process. Defence planners at the national level are confronted with a wide variety of EU processes and prioritisation tools. It can be challenging to use these tools for national defence planning purposes. Building on existing EU mechanisms, there is a need to **simplify and streamline** the EU capability development process so that it can provide tangible inputs and guidance for national defence planners.

The Strategic Compass could contribute to a further harmonisation of national, EU and NATO defence planning processes. For EU Member States in NATO, there is a need to build on the existing level of cooperation on capability development. Given the "**single set of forces**" principle, and the finite nature of defence budgets in Europe, EU and NATO defence capability development processes need to be further harmonised.

To engage with these needs and issues, this report highlights the current challenges facing EU capability development processes and it offers possible options for streamlining them in the context of the Strategic Compass.

THE REALITIES OF EU CAPABILITY DEVELOPMENT

There remain **major capability shortfalls** in Europe, which hamper the operational effectiveness of the EU and NATO. The 2020 Coordinated Annual Review on Defence (CARD) Report and the 2020 Permanent Structured Cooperation (PESCO) Strategic Review outlined the continued capability gaps and needs. Additionally, it is unlikely that EU Member States will meet the short-term goals identified as part of the High Impact Capability Goals (HICGs) by 2025. While it is true that a Headline Goal Handbook that is being developed will help to some extent with coherence, more can be done to streamline EU initiatives.

The Strategic Compass needs to be framed in a context where EU Member States still plan for **national capability priorities** first, with multinational capability objectives coming second. For EU Member States in NATO, the NATO Defence Planning Process (NDPP) still commands far greater attention and commitment than EU capability development processes. One reason for this situation is that most EU Member States in NATO predominantly focus on territorial defence, whereas EU Common Security and Defence Policy (CSDP) missions and operations count only for a small fraction of Europe's

overall defence efforts. Another reason is that in the NDPP, Allies are accountable for reaching their NATO capability targets.

EU capability development processes are perceived to be too complex. The Capability Development Plan (CDP) priorities, CARD, the Overarching Strategic Research Agenda (OSRA), the Key Strategic Activities (KSA), PESCO, the European Defence Fund (EDF), the Headline Goals (HLGs) and the HICGs **do not automatically align**, despite some interlinkages. This makes it harder to synchronise national and European capability priorities. Furthermore, the multitude of EU prioritisation tools are perceived to add an additional level of administrative burden at the national level. Such a burden and the complexity of the EU process is not an effective way of generating buy-in for EU initiatives from EU Member States.

Furthermore, the multitude of EU capability development tools can make it difficult to **prioritise capabilities**. The CDP priorities are seen by many as key reference points for capability development, as the CDP process incorporates the prioritised list of capability shortfalls resulting from the Headline Goal Process. Within this framework the Strategic Context Cases (SCC) have been developed to facilitate the implementation of the CDP priorities and to increase collaborative capability development throughout the “avenues of approach”. However, this process does not have an assessment element with regard to the work Member States do on the priorities.

The CARD, which specified six main capability focus areas in its 2020 Report, highlights those capability areas where Member States can potentially intensify cooperation with each other in the future. PESCO also provides priorities for Member States through the legally binding commitments. CARD and PESCO both have an element of assessment of Member States’ progress, however, it is not individualised, there are overlaps and the priorities are different in all initiatives.

However, it should be noted that **EU capability development processes are still immature** and it will take time for national defence planners to become fully accustomed to the workings of EU mechanisms. Even NATO, which has an older defence planning process than the EU capability development process, finds it difficult to encourage Allies to meet **capability targets**. In order to better address commitments and to further align capability development tools the European Defence Agency (EDA) has proposed an initiative which could lead to a more streamlined and compact solution. This encouraging new platform, the EUCLID, should reduce rather than add to the complexity.

EU-NATO cooperation is a critical element of improving capability development in Europe. EU capability development efforts can have a tangible impact on NATO Defence Planning Process (NDPP) objectives in the field of multinational cooperation. This is because the Union has a range of tools that can help Member States cooperate and finance capability programmes and projects. It therefore helps that the EU and NATO increasingly share the same language and grammar on capability development. However, there are still challenges including the lack of classified information exchange between the two actors.

MAKING A TANGIBLE DIFFERENCE THROUGH THE STRATEGIC COMPASS?

National defence planners often claim that the EU capability development process is not clear enough for experts or politicians. In this regard, **the Strategic Compass should contain a tasking to streamline the EU's processes**. An ambitious route could be to condense the number of existing EU tools and mechanisms that presently exist. The idea of creating **a forum** that brings together national ministers, defence planners and other key stakeholders also merits consideration. Such a forum could also help avoid capability duplication.

However, new forms of policy presentation and packaging are only one strategy for enhancing EU capability development processes. A core issue that should not be ignored by the Strategic Compass is to gradually overcome the **voluntary and collective** nature of EU capability processes. The development of a genuine **"EU Defence Planning Process"** (EU DPP) might be one option for the future, in full complementarity with the NDPP.

Additionally, the EU could use the Strategic Compass to concretely detail how the Union will fill 3 to 4 specific **capability gaps** that would benefit EU Member States and NATO allies, working towards the EU military level of ambition and the **Full Spectrum Force Package** defined recently and set as an objective by the PESCO Council Decision. PESCO can be the ideal structure for the development of such a package, but this would call for much greater integration of existing and future PESCO projects, possibly organised around the PESCO EUFOR CROC project.

Finally, EU capability development processes could be better aligned with EU financial incentives and national budgetary cycles. EU financing tools such as the EDF can provide the incentives for joint capability development, but the Union should start to think about the next **Multi-Annual Financial Framework** (MFF) from 2028-2034. The ambition here should be to build on the EDF, the European Peace Facility (EPF) and military mobility with enhanced collective financial resources beyond 2027. Again, such steps are seen as important in the context of potential future defence budget constraints.