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EUROPEAN  
COMMISSION

HIGH REPRESENTATIVE  
OF THE UNION FOR  
FOREIGN AFFAIRS AND  
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**JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL,  
THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE  
COMMITTEE OF THE REGIONS**

**A new European Defence Industrial Strategy: Achieving EU readiness through a  
responsive and resilient European Defence Industry**

## INTRODUCTION

On 14 and 15 December 2023, the European Council, in line with the Versailles Declaration<sup>1</sup> and the Strategic Compass for Security and Defence<sup>2</sup>, underlined that more needs to be done to fulfil the Union's objectives of increasing defence readiness<sup>3</sup>. The European Council also emphasised the need to strengthen the European defence technological and industrial base (EDTIB), including SMEs, and to make it innovative, competitive and resilient. A stronger and more capable EU in security and defence will contribute positively to global and transatlantic security and is complementary to the North Atlantic Treaty Organization (NATO), which remains the foundation of collective defence for its members.

EU Defence readiness can be defined as a steady state of preparedness of the Union and its Member States to protect the security of its citizens, the integrity of its territory and critical assets or infrastructures, and its core democratic values and processes. This includes an ability to provide military assistance to its partners, such as Ukraine. In line with the Strategic Compass, it encompasses the ability to act more quickly and decisively when facing crises, secure our citizens against rapidly evolving threats, invest in the needed capabilities and technologies and partner with others to achieve common goals. This Strategy also responds to proposals made by citizens in the Conference on the Future of Europe<sup>4</sup>.

A strong EU defence industry is an essential pre-requisite to achieve defence readiness. This European Defence Industrial Strategy, based on the findings of the defence investment gap analysis presented in the Joint Communication of 18 May 2022<sup>5</sup>, and following a comprehensive stakeholder consultation process, proposes an ambitious approach underpinned by a European Defence Industry Programme (EDIP), together with a set of flanking measures and alongside the European Defence Fund (EDF), to strengthen the industrial pillar of EU defence readiness. This effort should be steadily pursued beyond the current Multiannual Financial Framework (2021-2027), with EU funding delivered through future instruments whose scope and design will draw upon the experience gained through the implementation of the different defence programmes.

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<sup>1</sup> Informal meeting of the Heads of State or Government Versailles Declaration 10 and 11 March 2022, [20220311-versailles-declaration-en.pdf \(europa.eu\)](#)

<sup>2</sup> A Strategic Compass for Security and Defence - For a European Union that protects its citizens, values and interests and contributes to international peace and security, Brussels, 21 March 2022, [7371/22, pdf \(europa.eu\)](#)

<sup>3</sup> European Council meeting, Brussels, 15 December 2023, [EUCO 20/23, europeancouncilconclusions-14-15-12-2023-en.pdf \(europa.eu\)](#). Conclusions read: "Having taken stock of work carried out to implement its previous conclusions, the Versailles Declaration and the Strategic Compass, the European Council underlines that more needs to be done to fulfil the Union's objectives of increasing defence readiness and increasing defence expenditure in a collaborative way, including enhancing defence investment and capability development, and to achieve an effective and integrated market for defence".

<sup>4</sup> EU public opinion surveys confirm the strong interest and high expectations of Europeans about more cooperation in defence matters. According to the Standard Eurobarometer 100 (December 2023), 79% of Europeans believe that co-operation in defence matters at EU level should be increased, and 69% consider that EU need to reinforce its capacity to produce military equipment.

<sup>5</sup> Joint Communication on the Defence Investment Gaps Analysis and Way Forward. Brussels, 18.5.2022 [JOIN \(2022\) 24 final](#).

The steep increase of regional and global threats and security challenges and in particular the return of high-intensity conventional warfare in Europe requires an urgent step-change in the speed and scale at which EDTIB can identify, develop and produce the requisite military equipment across the full spectrum, starting from the most urgent needs. Further strengthening and streamlining the tools and instruments that the Union has put in place over the past years is necessary in this respect. Defence industrial readiness must be strengthened across the Union, paying particular attention to the specific implications that this has for those Member States most exposed to the risk of materialisation of conventional military threats.

Defence industrial readiness can only be achieved if the Member States' continued increase of defence spending is enabled, through the appropriate tools and incentives, to actually prioritise collaborative investments. This will reinforce both their military capabilities and the defence industrial base on which the EU and its Member States can rely. This will also directly reinforce NATO, as Member States, including those who are NATO Allies<sup>6</sup>, have a single set of forces that they can make available in different frameworks. It also contributes to the Union's wider economic security, as the EDTIB is a key driver of technological innovation and resilience across our societies.

This strategy intends to enhance and support the Member States' efforts to **invest more, better, together, and European** (Section 2). The increased availability of defence products and systems should be achieved thanks to **a more efficient and responsive EDTIB, relying on enhanced security of supply** (Section 3). It is important to develop the **financial means** to underpin EU defence industrial readiness (Section 4). In addition, **a defence readiness culture should be mainstreamed** including across all EU policies (Section 5). Finally, **partnerships** should be leveraged to enhance readiness and resilience (Section 6).

## **1. ACHIEVING DEFENCE READINESS THROUGH A MORE RESPONSIVE AND RESILIENT EUROPEAN DEFENCE INDUSTRY**

### **1.1. Defence readiness: imperative in the current geopolitical environment**

Faced with the return of high intensity warfare in Europe, following Russia's unprovoked, full-scale invasion of Ukraine in 2022, the Union must swiftly enhance its defence readiness.

The rules-based global order is challenged to its core, and countries in the Union's vicinity and beyond are increasingly affected by tensions, instability, hybrid threats and armed conflicts. Strategic competitors are investing heavily in military capabilities, defence industrial capacities and critical technologies, whilst the integrity of our supply chains and unimpeded access to resources can no longer be taken for granted.

The EU and its Member States are also confronted with widespread hybrid threats, illustrated by a growing number of cyberattacks, sabotage, hacking of critical infrastructure and assets, disinformation, and foreign information manipulation and interference. They also face the contestation of Europe's access to strategic domains such

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<sup>6</sup> 22 out of the 27 Member States are currently NATO Members, with Sweden expected to join the Alliance imminently.

as the space, cyber, air and maritime domains. These developments are challenging our security, prosperity, and democratic values.

The defence of the Member States' territory and citizens is primarily a national responsibility, including through allies' commitments in the context of NATO. Against that background, the geopolitical developments point to a compelling need for Europe to take increased strategic responsibility for its own security, including to assist key partners such as Ukraine. Under the guidance of the Strategic Compass, the EU is and must continue to be a stronger player in security and defence, thus a more reliable security provider and capable defence actor not only for its own citizens but also to the benefit of international peace and security.

A stronger and more capable EU in the field of security and defence will also contribute positively to global and transatlantic security and is complementary to NATO. For those Member States, who are also members of NATO, the Alliance remains the foundation of their collective defence. Defence readiness requires the planning, development and operational availability of the necessary defence capabilities and strategic enablers, the mastery of critical technologies and the ability to procure, operate and protect the required full spectrum of capabilities, infrastructures and assets.

Achieving defence readiness therefore requires investing massively, in a coordinated manner, in the required defence capabilities, including in relevant critical infrastructure. This requires the agility to constantly integrate innovation that increasingly originates from small and non-traditional players, which all too often struggle to see their potential contribution recognised. Adversaries have engaged in a global race for technological supremacy requiring from all actors ever faster and increasingly costly investment cycles: the EU cannot afford falling behind.

Even those Member States with the largest defence budgets in the Union at their disposal are increasingly facing difficulties to invest at the required levels on a standalone basis, exposing the EU to widening capability and industrial gaps and to increased strategic dependencies. The same goes for prime manufacturers and their supply chains. Defence readiness therefore calls for more cooperation and collective action. In times of high intensity warfare, this requires the ability to mass produce a large set of defence equipment such as ammunition, drones, air defence missiles and systems, deep strike and intelligence, surveillance and reconnaissance capabilities, as well as the ability to ensure its swift and sufficient availability.

To enable this mass production, the organisation of the defence industrial sector needs to evolve.

***Box 1. Defence acquisitions in the EU: buying predominantly alone and from abroad***

As highlighted by the Defence Investment Gap Analysis and Way Forward, had all Member States spent 2% of their GDP on defence, with 20% dedicated to investment, since 2006 until 2020, this would have resulted in approximately an additional **EUR 1,1 trillion for defence**, of which around EUR 270 billion on investment.

In 2022, defence expenditures of the Member States increased for the eighth year in a row, amounting to EUR 240 billion<sup>7</sup>. **78% of the defence acquisitions by EU Member States between the start of Russia's war of aggression and June 2023 were made from outside the EU**, with the US alone representing 63%<sup>8</sup>.

Between 2021 and 2022, there has been a 7% increase in the procurement of new equipment, but **only 18%** of the total equipment spending was devoted to EU collaborative defence equipment procurement in 2022<sup>9</sup>, **far below the current 35% collective benchmark set by Member States**<sup>10</sup>.

## 1.2. Defence Readiness requires a strong, responsive and innovative EDTIB

As highlighted in the Strategic Compass and the EU Heads of State and governments' Granada Declaration<sup>11</sup>, strengthening EU's defence readiness and capability investments requires a strong, agile and resilient technological and industrial base.

The EDTIB is an essential and integral element to ensure that our societies are secure and prosperous today and in the future. A responsive and competitive EDTIB is the foundation of any credible European role in its own defence and security.

EU defence industrial readiness, today and in the future, requires public and private investments across the full spectrum of needs, to enable the defence industry's responsiveness in time and scale to the needs of Member States. Innovation must be a constant focus of attention, while resilience to external shocks and disruptions should be ensured.

### ***Box 2. The EDTIB today: a strong potential, to be further tapped into***

The Union's defence technological and industrial base today consists of a combination of a large set of prime contractors, with mid-caps and a large number of small and medium-sized enterprises (SMEs).

Besides European leaders producing world-class advanced systems, mostly located in a handful of Member States, a no less crucial role is played by a wealth of smaller, but often critical platform manufacturers, equipment suppliers, consumables - such as ammunitions – producers, sub-suppliers, and niche producers, **spread all across the EU**.

The Defence Joint Procurement Task Force industry mapping showed that prime

<sup>7</sup> Against a historical low of EUR 171 billion in 2014. See European Defence Agency Defence Data 2022, key findings and analysis.

<sup>8</sup> Jean-Pierre Maulny, THE IMPACT OF THE WAR IN UKRAINE ON THE EUROPEAN DEFENCE MARKET, IRIS, September 2023, [19 ProgEuropeIndusDef JPMaulny.pdf \(iris-france.org\)](#)

<sup>9</sup> 2022 Coordinated Annual Review on Defence.

<sup>10</sup> Established by the EDA Ministerial Steering Board in 2007.

<sup>11</sup> European Council, the Granada Declaration, 6 October 2023.

manufacturers for the 46 most urgently needed items were located in 23 Member States.

The EDTIB is competitive at global level, with an estimated **annual turnover of EUR 70 billion** and strong export volumes (more than EUR 28 billion in 2021). Overall, the EDTIB is estimated to employ around **500,000 people**<sup>12</sup>.

Notwithstanding its overall competitiveness, the EDTIB's ability to unleash its full potential is undermined by years of underinvestment, despite the progress made over the last years. This is the consequence of Member States' policy and budgetary choices in the past decades, and in a different geopolitical context, to allocate the dividend of peace to other societal uses. Persistent industrial fragmentation along national lines also acts as a hindrance to the optimum efficiency of defence investments. These trends have led to a significantly smaller comparative size of the EU defence market and presence on the global stage, increased dependencies on third countries, impairing the EDTIB's ability to punch at its weight.

### **1.3. Too little cooperative investment in the EU keeps the EDTIB punching below its weight**

In a complex market in which national governments are the only buyers, Member States are still insufficiently coordinating, pooling and joining their defence planning and procurement decisions despite the range of European tools and frameworks at their disposal. Hence, demand is still largely organised along national lines, with most investment decisions arising from domestic considerations, and based on national programming, often failing to factor in broader strategic and efficiency considerations. As a result, and despite certain phases of consolidation in the past decades, the supply side remains also essentially organised along national lines, with Member States opting where possible for national solutions, because of industrial and security of supply considerations. This results in a scattered EDTIB, acting in different, too narrow defence markets, rather than in a single, much larger and integrated one.

This weakens the EDTIB. First, the demand side does not express itself collectively in an optimal way. This results in duplications and foregone opportunities to mutualise and synchronise investment in commonly needed equipment or infrastructure. Second, the supply side is not incentivised to cooperate or even integrate to match a more efficient expression of demand. It suffers from lack of predictability and critical mass in the orders placed, thereby failing to seize economies of scale. Third, especially recently, Member States tend to acquire off-the-shelf from third countries, thereby drying up internal demand and investing European taxpayers' money in jobs and key technologies abroad rather than in Europe.

This obliges in turn the EDTIB to focus on exports to ensure its viability, resulting in a risk of excessive reliance on third countries' orders, with the consequence that responding to Member States' orders may be less a priority than honouring third country contracts in case of crises and related shortages.

Security of supply is undermined by the combination of the above patterns. The single market has become a reality at lower tiers where supply chains span widely across

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<sup>12</sup> Data source: SIPRI estimates for the European Commission.



borders. However, this is not reflected in a collective strategic governance at the EU level that would support security of supply in crisis scenarios. The trend of overreliance on third countries' supplies further undermines security of supply and freedom of action in case of crises.

#### **1.4. Helping Ukraine withstand the Russian aggression: a decisive Union contribution, but strong potential for improvement**

The EU and its Member States have demonstrated their capacity to swiftly mobilise support for Ukraine's armed forces, including from the EDTIB. As of late January 2024, the EU and its Member States collectively delivered more than EUR 28 billion worth of military equipment to Ukraine.

Thanks to the European Peace Facility (EPF), the EU supported Ukraine within a few days of the Russian full-scale invasion of February 2022, by reimbursing Member States who sent military assistance to Ukraine. The EPF is incentivising further deliveries of lethal and non-lethal equipment to Ukraine. With the three-track ammunition initiative<sup>13</sup>, the Council agreed an ambitious framework to incentivize the delivery and procurement of artillery ammunition and ground-to-ground missiles, as well as industrial ramp-up.

Through this initiative, Member States have placed orders in the EU and Norway to procure additional artillery ammunition, including by using the framework contracts<sup>14</sup> that the European Defence Agency negotiated on their behalf with the European defence industry. The Union's support delivered through the Regulation on supporting ammunition production (ASAP)<sup>15</sup> is increasing and speeding-up its capacity to support Ukraine and replenish national stocks.

The EDTIB has also demonstrated its ability to effectively sustain these efforts. Since the **beginning of the war, the EDTIB has increased its production capacity in artillery ammunition by 50%**. It is already capable of producing one million artillery rounds per year and is anticipated to reach a capacity of over 1.4 million by the end of 2024 and 2 million by the end of 2025.

Beyond the donations from Member States' stocks and from EPF-funded procurement, the EDTIB has also provided a significant amount of artillery ammunition through direct contracts with Ukraine, displaying its ability to contribute to its fight against the invading forces.

The EU also put in place new initiatives such as the Regulation on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA)<sup>16</sup>. Still, much more needs to be done, both at industrial and governmental level.

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<sup>13</sup> Delivery and joint procurement of ammunition for Ukraine, Brussels, 20 March 2023, 7632/23, [pdf \(europa.eu\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:5202303001)

<sup>14</sup> As of today, 60 framework contracts have been signed by the EDA with European industry.

<sup>15</sup> Regulation (EU) 2023/1525 on supporting ammunition production (ASAP), OJ L 185, 24.7.2023, p. 7–25.

<sup>16</sup> Regulation (EU) 2023/2418 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA), OJ L, 2023/2418, 26.10.2023.



### 1.5. From emergency responses to readiness: time for a paradigm shift

It is time to move from emergency responses to structural EU defence readiness across all time horizons. The EU needs to secure the availability to its Member States and partners of consumables in the requisite volumes, including during crisis times, while ensuring the timely development and delivery of next generation high end critical capabilities in the coming years. This also takes into account the Ukrainian defence needs. Additionally, secure access to contested domains such as cyber, space, maritime and air, cannot be protected effectively by a single Member State. Therefore, the EU needs to develop its capacity to ensure its access to these areas collectively, through the necessary investment in European level solutions.

A competitive EDTIB contributing to the security of Union's citizens means an industrial sector capable of maintaining its technological excellence while delivering what is needed, when it is needed, without restrictions stemming from excessive external dependencies or bottlenecks<sup>17</sup>. An industry investing in new capacities and ready to shift to a 'wartime' economic model whenever needed, is essential.

This implies a collective public and private engagement. The EU is ready to support both Member States and the EDTIB by de-risking investments, contributing to a more ambitious defence industrial policy at EU level. To achieve this, the Union needs to maximise the benefits of competition, cooperation and consolidation. By the same token, the competitiveness of the EDTIB and its ability to export must be preserved, whilst nonetheless ensuring that Member States can rely fully on their defence industry to deliver on their needs in a timely manner and in the requisite volume, when the security of EU citizens is at stake.

This strategy introduces measures i) to support EU defence industrial readiness, based on an increased coordination of Member States' defence needs, ii) to strengthen the EDTIB to produce more, while ensuring its security of supply, iii) to develop the financial means to underpin EU defence industrial readiness and iv) to mainstream a defence industrial readiness culture, while v) working effectively with partners. As a first immediate initiative, the Commission is proposing a new Regulation establishing EDIP, to ensure continuity of support to the EDTIB in the current Multi Annual Financial Framework (MFF), while testing new forms of support in view of the next programming period.

The proposed EDIP will expand in time and scope the support to the competitiveness of the EDTIB brought by EDIRPA and ASAP. It will incentivise cooperation in the procurement phase of defence products manufactured by the EDTIB, support the industrialisation of products stemming from EDF funded actions or other EU cooperative frameworks and more generally support the defence industrial ramp-up in the Union. It will also establish an EU Security of Supply regime to enhance solidarity and effectiveness within the Union in response to crises.

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<sup>17</sup> The EDTIB would benefit from a more resilient EU Single Market through the implementation of measures, especially in times of crisis, laid out in "Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery" COM(2021) 350.

## 2. LEVERAGING READINESS THROUGH INVESTMENT: MORE, BETTER, TOGETHER, EUROPEAN

Ultimately, the realisation of the defence industrial ramp-up depends on an increased volume of orders from Member States, which cannot be placed without increased defence budgets. Member States have started to increase their budgets at an extraordinary pace since February 2022 (see Box 1). However, significantly greater investment at national and European level is required to structurally adapt the EU industry, make it more innovative and competitive, to face the new security reality. It is now vital that the Union collectively makes the most out of this ongoing budgetary increase to achieve defence industrial readiness. To that end, the Commission and the High Representative / Head of the Agency are ready to support Member States to continue investing more, but also to do that better, together, and European.

### 2.1. Investing better

Investing better means targeting investments where it matters the most, avoiding duplication and increasing efficiency. This requires enhanced coordination of Member States' investment plans and efforts.

#### 2.1.1. *A new joint programming and procurement function*

As announced within the Joint Communication on Defence Investment Gaps Analysis and Way Forward, a structured approach to programming and procurement will reinforce transparency, coordination and consistency between Member States, and between the latter and EU institutions. It will complement and streamline existing initiatives in the capability, industrial, research and defence infrastructure realms, allowing for refined and shared prioritisation, as well as sustained cooperation efforts.

A **Defence Industrial Readiness Board (hereafter 'the Board')** will bring together Member States, the High Representative/Head of the Agency, and the Commission, in different formats 1) to perform the EU defence joint programming and procurement function envisaged in the Joint Communication on Defence Investment Gap Analysis and 2) to support the implementation of EDIP.

To perform the **EU defence joint programming and procurement function**, building on the successful work of the Defence Joint Procurement Task Force, the Board will provide a forum, to be convened by the Commission and the High Representative/Head of Agency, to discuss and refine identified priorities at EU level, without prejudice to their respective roles and responsibilities. In this format, to be established by this strategy, the Board shall also support the coordination and de-confliction of Member States procurement plans and provide strategic guidance in view of more effectively matching demand and supply. In this regard, the work in the context of the Board should enable a common understanding among Member States of the EDTIB composition and promote a shared awareness on production capacities in the Union. Based on a consolidated view of current industrial capacities, the members meeting in the context of the Board should assess the required production capacities to meet identified procurement needs and suggest corresponding defence industrial production objectives, in particular for the most critical capabilities.

As regards this EU defence joint programming and procurement function, meetings in the context of the Board will be prepared and co-chaired by the Commission and the High Representative/Head of Agency.

Furthermore, for the purpose of **supporting the implementation of EDIP, the Board will be formally established within the EDIP Regulation** notably to ensure security of supply at EU level but also inform and assist in the implementation of the different supporting measures to the EDTIB developed in EDIP. In this configuration, the Board itself will be chaired by the Commission, with the participation of the European External Action Service (EEAS) and of the European Defence Agency (EDA).

Complementing this effort, to ensure an effective government-to-industry co-operation and to establish a closer dialogue and engagement, a high-level **European Defence Industry Group will be established**. This Group will meet in specific configurations (e.g. sector-specific), depending on the issue at hand, and will function as a privileged interlocutor of the Board to consult with industry and to increase consistency between Member States' plans and what the EDTIB can deliver, without prejudice to applicable competition rules within the Treaty on the Functioning of the European Union.

#### *2.1.2. From strategic programming to Projects of common interest*

One of the roles of Board, acting as the new EU level joint programming and procurement function will be the **joint identification of possible Projects of common interest to focus EU effort and funding programmes**. The new programming and procurement function will be based on the existing instruments and initiatives, notably the Capability Development Plan (CDP), the Coordinated Annual Review on Defence (CARD) and the Permanent Structured Cooperation (PESCO).

In view of increasing its defence readiness in the current security context, the Union should identify, within the EU Capability Development Priorities, **European Defence Projects of Common Interest** on which to focus efforts and resources. By investing more, better, together and European, Member States will be able to maximise the impact of their investments to develop and operate full-spectrum capabilities. This will contribute to secure access to strategic domains and contested spaces, including by developing appropriate systems that would serve as European defence infrastructure of common interest and use. This would furthermore contribute to ensuring the availability of strategic enablers required for missions and operations, as well as for the EU Rapid Deployment Capacity.

By 2035, the EU should have in place, or at a mature stage of development, projects for capabilities that are European by nature. Subject to Member States' agreement, these could include: capabilities related to integrated European air and missile defence (whose criticality has been confirmed during Russia's unprovoked military aggression against Ukraine), Space Domain Awareness, a network of cyber defensive capabilities commensurate to the need to effectively protect the Union, as well as properly dimensioned maritime and underwater protective assets.

## **2.2. Investing together**

Investing more together is the pre-requisite of a stronger EU defence readiness. Member States must cooperate more throughout the capability life cycle, starting at the research, development and procurement stages. Instruments to identify capability priorities (CDP) and collaborative opportunities (Coordinated Annual Review on Defence) already exist. It is imperative to ensure that they are effectively used to plan for, invest in and ultimately deliver concrete defence capabilities.

### *2.2.1. Common procurement as the norm whenever relevant: expanding the intervention logic developed under EDIRPA*

To further contribute to an effective expression of demand to support the competitiveness of the EDTIB, the **Commission is proposing to expand the EDIRPA intervention logic** and intensify the support to the common procurement of defence products stemming from the EDTIB. This window of the EDIP will offset the financial costs associated with the complexity of cooperation, going beyond the most urgent and critical defence products, thus broadening the intervention area of EDIRPA.

The joint procurement support window of EDIP will help speed up in a collaborative manner the adjustment of industry to structural changes. It will also incentivise solidarity between Member States by enabling them to increase efficiencies in public spending and contribute to interoperability and interchangeability.

The Commission and the High Representative/Head of the Agency **will measure progress** achieved in the consolidation of defence demand following the adoption of this strategy. Collaborative research, development (R&D) and procurement of defence equipment should progressively become the norm in the EU.

To date, **Member States have not been able to meet** the benchmark they agreed first in 2007, of spending 35%, of their total equipment budget in European collaborative equipment procurement<sup>18</sup>.

To shift towards a sustained, long-term demand signal to the EDTIB, it is proposed to Member States, to achieve the goal of **procuring at least 40% of defence equipment in a collaborative manner by 2030**.

With the fulfilment of this goal, ongoing and upcoming additional defence investments by Member States will deliver more efficient outcomes, thereby decisively boosting the resilience and security of the EU. The significant incentives provided at EU level by EDIRPA and EDIP, combined with experience in the context of the EPF and the greater sense of necessity, urgency and solidarity resulting from the current geopolitical situation, make this both essential and realistic.

### *2.2.2. Acting more systematically in support of interoperability and interchangeability*

Ukraine's experience in its fight against Russia's unjustified aggression evidenced the value of interoperable and interchangeable defence capabilities. Lessons learned from the battlefield showed the challenges of using multiple similar, but not truly interoperable nor interchangeable weapons systems, including ammunition of the same calibre produced in different Member States. In addition to presenting an acute operational challenge, this reduces competitiveness, economies of scale and hence limits the functioning of the internal market. The current and unsustainable limitations in this respect find their root causes in issues related to national requirements, the uptake of standards, and certification. To defragment the market, three elements are equally important: the definition by Member States of common requirements, the use of existing standards or the generation of new ones, and a greater mutual recognition of certifications.

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<sup>18</sup> Established by the EDA Ministerial Steering Board in 2007.

***Box 3: Suboptimal technical requirements, standards and certifications undermine EU defence readiness***

Past European collaborative programmes have been too often plagued by Member States' tendency to **over-customise and over-use national requirements stemming from national capability planning processes**. This has generally resulted in multiple versions of the same capability, increasing R&D, procurement and maintenance costs, suboptimal supply-chains use and generated delays, as well as reduced possibilities for common training, logistics and other collaborative opportunities.

Whilst rigorous standardisation can help overcome such issues, there is ample evidence that standards alone cannot fully avert interoperability and interchangeability issues. Despite the Standardisation Agreements (STANAGs) adopted in the framework of NATO, the **voluntary uptake of these standards remains an issue**. Another challenge stems from the fact that currently agreed standards often do not sufficiently deliver the requisite real interoperability and interchangeability in operational terms since they do not cover all defence systems, nor are they systematically detailed enough.

Finally, **certification also remains an issue to be addressed**. Certifications are currently delivered by dedicated authorities at national level and not mutually recognised, often due to safety protocols, which de facto fragments the market and hampers logistics.

Defence standards are a key enabler for the interoperability of the materiel and equipment that armed forces use. The EU, notably through activities implemented by EDA, supports the Member States in the identification of standardisation requirements and the use of standards in the context of the collaborative projects, while using STANAGs as the main reference.

Many EDF projects already support increased standardisation of equipment at EU level, with a view to ensuring interoperability and interchangeability within any coalition. Thus, the EDF requires Member States to define common functional requirements through the call harmonisation process in which all Member States can participate. However, further efforts should focus on incentivising the use of the most common existing standards in armament production and procurement, building on, and complementing existing initiatives. In particular, the EDA-managed European Defence STAndards Reference system (EDSTAR), which identifies Best-Practices Standards (BPS) in support of programmes, organisations and agencies, should constitute the basis for further work. EDSTAR is complementary to the NATO STANAGs and aims at optimising effectiveness, efficiency, and interoperability of standards application for defence and security products and services. EU defence industrial programmes and tools should incentivise further and prioritise projects that contribute to standardisation and harmonisation of requirements.

**The Commission will therefore**, within its defence industrial programmes and in particular in EDF, **promote the use of agreed civil** – in line with the EU standardisation strategy<sup>19</sup> - or **defence standards such as NATO STANAGs**.

Certification can be defined as the formal recognition that an equipment complies with the applicable requirements guaranteeing that it can be used without significant hazard to

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<sup>19</sup> EU Standardisation Strategy, COM(2022) 31.



operators. In the defence sector, where equipment could significantly endanger the life of operators, Member States ensure safeguards by mandating authorities (usually Agencies within Ministries of Defence) to certify equipment before it can be used. A lack of mutual recognition of certifications results into the impossibility to offer a product throughout a certain market, even within the EU.

To address certification-related issues, **the Commission will also support swift cross-certification activities**, including associated testing when necessary. Such a cross-certification is already a reality, on a voluntary basis, within the airworthiness sector in the framework of EDA. The Agency will also seek to further facilitate other certification, testing and evaluation activities. In particular, reinforcing EDA's work on defence testing and evaluation would facilitate the coordination of testing activities aimed at ensuring cross-certification of similar equipment across platforms.

In addition, under specific circumstances during crisis times, the Commission proposes to allow mutual recognition of national certifications, under the provisions of the EDIP.

### *2.2.3. Towards robust cooperative full life cycle armament programmes: the Structure for European Armament Programme as a new powerful tool*

Cooperative armament programmes by Member States have been facing significant challenges. They are being mostly set up on *ad hoc* basis and undermined by a lack of tools commensurate to their complexity. This has often resulted in delays and cost overruns. While the EDF and PESCO have offered incentives and frameworks to remedy this situation, the commitment of the Member States towards cooperation throughout the whole life cycle of defence capabilities needs to be further encouraged and powered up. To make this happen, **the Commission will make available a new legal framework – the Structure for European Armament Programme (SEAP) –** as a vehicle to underpin and strengthen defence cooperation, including in the context of PESCO, if so agreed by Member States.

Within this new legal framework, Member States will benefit from standardised procedures for initiating and managing cooperative defence programmes. Subject to specific conditions, Member States will be able to benefit from an increased funding rate in the context of EDIP as well as simplified and harmonised procurement procedures. Where Member States jointly own the procured equipment through the SEAP (acting as an international organisation), they will be able to **benefit from a VAT exemption**. Moreover, **EDIP will provide for a bonus** for products developed and procured in the context of a SEAP if the concerned Member States agree on a common approach to exports for defence. In addition, the international organisation status will also allow Member States, if they so wish, to issue debt-titles to ensure the long-term financing plan of armament programmes. While the Union would not be liable for debt issuance by Member States, contributions under EDIP to the functioning of SEAP might improve the conditions for financing by the Member States of the armament programmes, which are eligible for Union support.

This new tool will also help to intensify Member States' cooperation efforts, in line with the capability priorities commonly agreed by Member States within the framework of the Common Foreign and Security Policy (CFSP), notably through the CDP. It should facilitate and support the implementation of PESCO projects and contribute to the fulfilment of the more binding commitments undertaken by participating Member States. In the context of the ongoing PESCO Strategic Review, the High Representative could recommend the participating Member States to strengthen the more binding



commitments related to the EDTIB and to consider possible new commitments, notably on joint procurement from the EDTIB, in line with the ambition of the present strategy. These could also be taken into account in the establishment and implementation of the PESCO projects.

As described in section 3 of this Joint Communication, the SEAP could also support the development of prototypes stemming from collaborative R&D actions funded by the EDF towards industrial production.

### 2.3. Investing European

Investing more, better, and together will increase the Union's defence readiness only if the increased investments resulting from larger national budgets benefit the Union's defence industry. Nevertheless, channelling Member States' investments into the EDTIB is highly dependent on the capacity of the latter to demonstrate its ability to meet the demand from the Member States in both speed and volume.

The urgent acquisition decisions made by Member States in view of the dramatically deteriorating security environment were undertaken against the backdrop of an EDTIB still constrained by limited, peacetime-sized production capacity. The surge in acquisitions benefited mostly non-EU industry. Availability in time and in volume is therefore a new parameter of the competitiveness of EDTIB and of the security of the Union, especially during periods of heightened security tensions.

The intensification of that trend has resulted in increasing existing dependencies or generating new ones, thereby limiting the potential virtuous circle of increased investment resulting in a strengthening of the EDTIB. The volume of acquisitions made through the US Foreign Military Sales (FMS) in the EU has increased by 89% between 2021 and 2022<sup>20</sup>. Moreover, emerging armament manufacturers from other third countries have also penetrated the EU market. This trend undermines the competitiveness of the EDTIB and results in EU taxpayers' money creating jobs abroad and must thus be reversed.

To that effect, the Commission, in cooperation with the High Representative/Head of the Agency, aims at the creation of a **European Military Sales Mechanism**, facilitating the availability of defence products from the EDTIB and increasing awareness of such availability. The Commission proposes to test such a mechanism through a pilot project within EDIP with a view to co-building with Member States and industry a fully-fledged mechanism from 2028 onwards. The pilot mechanism will be organised in four pillars: 1) a catalogue of defence products, 2) financial support for the creation of pools of defence capabilities being quickly available, 3) provisions to ease procurement processes, and 4) capacity building measures for procurement agents.

First, by building on existing tools<sup>21</sup>, the Commission, in cooperation with the High Representative/Head of Agency, will work towards the establishment of a **single, centralised, up to date catalogue of defence products** developed by the EDTIB. The ammunition crisis in the context of the war in Ukraine revealed that the Union had at its disposal an important production capacity, but the widespread underestimation of this

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<sup>20</sup> Center for International Policy, Security Assistance Monitor, [securityassistance.org](https://securityassistance.org).

<sup>21</sup> Such as the EDA's EUCLID database.

capacity resulted in increased attention on third countries producers. Such misperceptions are prejudicial to the EDTIB and should be corrected. To increase the visibility of EU-made solutions, the Commission, working closely with the High Representative/Head of the Agency, will provide a single-entry point allowing for the identification of defence products produced by the EDTIB. Such a catalogue will be fed voluntarily from industry, through dedicated calls for expression of interest.

Second, the Commission will support the creation of **defence industrial readiness pools**, to increase availability and to speed up delivery time of EU-made defence products. By producing in limited quantities for smaller national markets, our industry suffers from a competitive disadvantage vis-à-vis non-EU players. While EU manufacturers have similar or shorter delivery lead-time compared to non-EU manufacturers, the fact that non-EU products can often be made readily available from within existing non-EU stocks results in an increased speed to market, rendering these non-EU solutions more attractive. Within EDIP, the Commission proposes to financially support the purchase of additional quantities of defence capabilities for which Member States have decided to jointly procure within the SEAP. This would allow the creation of strategic reserves that could quickly be made available for additional customers resulting in an attractive Government-to-Government scheme. The governance on the use of equipment in reserve will be established by those Member States that are part of the Structures for European Armament Programme.

Third, the Commission proposes to introduce a **standard regime applicable to future defence contracts and framework agreements** with EU-based manufacturers. EU law already allows Member States to open their contracts and framework agreements to other Member States, when this possibility is foreseen from the outset of the procurement procedure. However, Member States only very rarely use this possibility. As a consequence, procurement through such contracts and framework agreements by other Member States is very limited. To remedy this situation in a structural manner, this standard regime would provide that, unless expressly otherwise stipulated, **a defence contract/framework agreement could be opened** to any other Member State under the same conditions as for the procuring Member State (subject to the agreement of the Member States in question). Furthermore, based on the practice of Member States since the beginning of the Russian full-scale war of aggression against Ukraine, it appears necessary to allow Member States to also use existing national framework contracts with EU-based manufacturers to procure additional quantities on behalf of others (lead nation framework). Therefore, the Commission proposes, in the context of EDIP, **an extension of the temporary derogation from Directive 2009/81/EC**, as provided within the ASAP Regulation. By virtue of this ‘Industrial Solidarity Clause’, Member States would be able to benefit from other Member States’ contracts, diminish their administrative burden (as well as the industrial one), and obtain equipment with a reduced delivery lead time.

Fourth, to facilitate procurement from the EDTIB, Member States could request support under existing EU instruments, such as the Technical Support Instrument (TSI)<sup>22</sup> for **administrative capacity building**, as well as for the **implementation of relevant reforms**. Notably, Member States’ national procurement agencies could request support for the simplification of procurement procedures, reorganisation of governance

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<sup>22</sup> Regulation 2021/240 of 10 February 2021 establishing a Technical Support Instrument, OJ L 57, 18.2.2021, p. 1–16.

structures, information exchanges, education and training, with the objective of improving joint procurement in the Union. EDA will further support this administrative capacity building by providing forums for sharing good practices and envisioning further cooperative actions within the scope of its Defence Acquisition Expert network.

As in the case of collaborative procurement, it is essential that the Commission and the High Representative/Head of the Agency are able to measure progress together with the Member States, stemming from this strategy, thanks to data provided by Member States.

Increased investments in defence will achieve their purpose only through increased cooperation, as the precondition to overcoming persistent inefficiencies. To achieve resilience commensurate with threat level, Member States should tap the full opportunities offered by the EDTIB by cooperating across the full range of investment and acquisition. Two indicators can serve to measure progress deriving from the implementation of this strategy.

First, between 2017 and 2023 the EU defence market has grown by 64% while defence trade between Member States has only marginally increased and it now represents only 15% of the total value of the EU defence market<sup>23</sup>. This trend should be reversed. Member States are invited to ensure that, **by 2030, the value of intra-EU defence trade represents at least 35% of the value of the EU defence market.**

Moreover, recent data indicate that nearly 80% of Member States' defence investments since 2022 have been implemented with non-EU suppliers, against approximately 60% before the war. Whilst possibly justified by reasons of urgency, this worrying inflexion can be addressed by greater transparency and concrete progress availability and lead times of products from the EDTIB.

In pursuit of the shared ambition embodied by this strategy, Member States should reverse the current trend and gradually bring their procurement level from the EDTIB first to the pre-war level, and increase it as far as possible beyond that point. **Member States are invited to make steady progress towards procuring at least 50% of their defence investments within the EU by 2030 and 60% by 2035<sup>24</sup>.**

Reversing current trends and meeting those benchmarks would tangibly increase the resilience of the Union and the security of our citizens. Additional support to European

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<sup>23</sup> Data from the EEAS annual reports and database on EU Member States' Arms exports provides useful information on the trends affecting the European defence market and industry. It allows to measure in particular the intensity of intra-EU trade flows, which provides indications on the intensity of both cross-border procurement of final products and cross-border flows in the supply chains of the EDTIB. Indeed, when it comes to defence procurement by Member States, data on products' origin is not collected in a centralised manner. Commission services, together with EEAS and EDA, will work with the Member States to develop a methodology to measure the share of procurement from the EDTIB compared to the one benefitting third countries entities.

<sup>24</sup> Within the Defence Investment Gap Analysis Communication, the Commission indicated, based on a scientific publication by D. Fiott (using import/export figures of the US State department) that between 2007 and 2016 over 60% of European defence procurement budget was spent on non-EU military imports. As indicated in Box 1, during the period from the start of Russia's war of aggression to June 2023, 78% of the defence acquisitions by EU Member States were made from outside the EU, US alone representing 63% of this share.

cooperation brought by EDIP and EDF, as well as by successor programmes from 2028 onwards, combined with strong political will and commitment by Member States, make those benchmarks realistic and achievable.

#### **Way forward:**

In order to help Member States invest more, better, together and European, The Commission and High Representative/Head of the Agency:

- will set up a new **joint programming and procurement function**, by creating a Defence Industrial Readiness Board, as well a high-level European Defence Industry Group with a consultative role.

The Commission:

- proposes to **extend, within EDIP, the EDIRPA logic** of supporting cooperation in procurement of products stemming from the EDTIB.
- proposes to enable, within EDIP, a **rapid mutual recognition of certification**, during crisis times.
- proposes to make available to Member States a new legal framework, the Structure for **European Armament Programme (SEAP)**, to strengthen defence cooperation, in full complementarity with the PESCO framework.
- proposes the gradual creation of a **European Military Sales Mechanism** aimed at encouraging the availability of EU equipment in time and in volume.
- proposes, through EDIP, the launch of **European Defence Projects of common interest** to contribute – at EU level – to secure and protect the Union's and Member States' free access to the contested areas such as cyber, space, air and maritime, and to the implementation of the EU Capability Development Priorities.

Furthermore, the High Representative:

- will recommend the PESCO participating Member States, in the context of the PESCO Strategic Review 2023-2025, to **strengthen the more binding commitments in relation to the EDTIB** (or consider possible new ones), and make use of PESCO projects to fulfil the ambition of the present strategy.

### **3. SECURING AVAILABILITY: A RESPONSIVE EDTIB UNDER ANY CIRCUMSTANCES AND TIME HORIZON**

The EU can already rely on an overall competitive, world-class EDTIB. But in a dramatically changed geopolitical context where the EU and its Member States must take responsibility for the security of their citizens, partnering with a more responsive and more resilient EDTIB is more important than ever. This is about creating the conditions for the EU's industry to meet Member States' demand in time and scale. While Member States are responsible for placing firm and long-term orders ensuring the necessary market predictability to defence industry, the Commission is ready to use its prerogatives and relevant programmes to support this endeavour.

#### **3.1. Supporting a more rapid response and versatile adaptation to urgent needs**

As vividly illustrated in the wake of Russian military aggression against Ukraine, the Union's security and its ability to effectively support its partners depend on its capacity to swiftly mobilise defence equipment. As the threat level is likely to remain high for the foreseeable future, the EDTIB must be able to deliver what is needed, in the right

quantities And places, and at the right time. To achieve this, the EDTIB needs to undergo a paradigm shift, and take more risks to be more responsive to the needs of all the Member States.

The mobilisation of the EDTIB should be done with a view to increase resilience and security of supply across Europe, in full consideration of the specific needs of those Member States objectively the most directly exposed to the risk of materialisation of conventional military threats. This also requires addressing bottlenecks to the swift, efficient and unimpeded movement of defence equipment and capabilities through further investments in military mobility.

The EU will accompany this change of mindset and contribute to de-risking its defence industry's efforts, to enhance its readiness by supporting the ramp-up of production capacity in the EU, in areas collectively identified by Member States and the Commission, with a particular attention to SMEs and small Mid-Caps. To do so, **the Commission proposes to expand the intervention logic of the ASAP programme**, beyond ground-to-ground ammunition and missiles, for the EU to be able to accelerate productive investments in the EDTIB for the products that are most needed. The EU financial support should provide for an increased volume of production of relevant defence equipment, help reduce their delivery lead-time and address potential bottlenecks and factors that could delay or impede their supply and production. Insofar as possible, such financial support should also encourage cross-border industrial partnerships and collaboration of relevant companies in a joint industry effort, in full respect of relevant financial and competition rules.

Nevertheless, supporting ramp-up also requires dealing with the industrial consequences of a ramp-down once the surge in demand has been met. Investing now in the development of **'ever-warm' facilities and the possible repurposing of civilian production** lines would contribute to the security of the Union's citizens, whilst preserving the flexibility of EDTIB manufacturing capacity and preserving its overall competitiveness.

The Commission will contribute via EDIP to the building up of 'ever-warm' spare industrial capacities that allow for the necessary flexibility to ramp up in response to urgent spikes in demand. This would be particularly appropriate where critical supply shortages were identified by Member States.

It will be possible to provide for the funding, for instance, of machine tools and relevant personnel costs to ensure that in case of a major crisis the EDTIB can mass produce what is needed in a short time frame, by having enhanced the availability of production capacities, while modernising production technologies where possible. This will ensure that an immediate ramp-up can take place in case of need.

The Commission will also explore with Member States measures to rapidly mobilise production lines from civilian industry for defence production purposes, and to ensure that the requisite qualified workforce is available under such scenarios (e.g. preparing staff in terms of security clearance and training). These effective, practical solutions will enable the EDTIB's production to be ready to adapt without delay to a fluctuation in the demand expressed by Member States.

***Box 3. A case for greater responsiveness: achieving the mass production of defence relevant drones against the backdrop of ongoing efforts to tap their potential***



Unmanned systems are playing a decisive role in air, sea and land domains of the war theatre in Ukraine, being widely used for reconnaissance and intelligence, fire support, and also as effectors. Ukraine is estimated to use up to 10.000 aerial drones per month on the battlefield while producing 40.000 new ones per month.

Most of them are low-cost consumables, often repurposed commercial civilian drones, nonetheless capable of destroying far more costly equipment. Whilst they do not diminish the use case of a broad range of special purpose military drones, they have proven to be of considerable tactical and strategic value.

Whilst the EDF and its precursors have since 2017 been financially supporting defence R&D actions in relation to unmanned systems, developing a capacity to swiftly ramp up and achieve the **mass production of such equipment, can be identified as a key element of EU defence readiness** vis-à-vis high intensity conflicts. This could be the subject matter of actions under the future EDIP, and any critical dependency or bottleneck should be identified and eliminated. Support to joint procurement of drones or counter Unmanned Aerial Systems is also possible within EDIRPA.

Unmanned Aerial Systems also figure among the priority needs of Ukraine that could be potentially supported via the European Peace Facility, in coordination with the work undertaken in the context of the Ukraine Defence Contact Group capability coalitions.

The Commission adopted a **European drone strategy 2.0** on 29 November 2022, in the context of which several flagship actions are being implemented. On top of funding for relevant R&D actions under the Horizon Europe programme and the EDF, other actions have been initiated: first, coordinated calls combining funding from EU instruments and European Investment Bank (EIB) loans to support a new flagship project on ‘drone technologies’; second, the development of a Strategic Drone Technology Roadmap to identify priority areas to boost research and innovation, reduce existing strategic dependencies and avoid the emergence of new ones, or the set-up of an EU network on civil-defence drone testing centres to facilitate exchanges between civilian and defence sector.

To further support the EDTIB’s versatility, the Commission is proposing, as part of the proposed EDIP, the creation of a **Fund to Accelerate Defence Supply Chain Transformation (FAST)**. The fund will aim at **facilitating access to debt and/or equity financing for SMEs and small midcaps** industrialising defence technologies and/or manufacturing defence products or having imminent plans to enter those activities. FAST could allow generating a multiple of the budget allocated to the initiative by EDIP in loans or equity investments.

By leveraging additional public and private investments in support of the EDTIB, the FAST will strengthen the resilience of the Union’s defence industry value chains. This initiative should also contribute to support the development of an ecosystem of investors focused on growth stages, investing in critical defence suppliers and supporting the scaling-up of innovative defence companies.

### 3.2. Pursuing the technological forefront on defence

While securing the EU’s ability to respond in manufacturing terms to security urgencies, it is equally important for Europe to remain at the cutting edge of innovation. A sustained R&D effort is more necessary than ever to maintain the EDTIB competitiveness in the



longer term, notably in terms of its availability to tap the full potential of the excellence of its scientists, engineers and innovators. In the short-term, achieving technological breakthroughs would also support tackling current challenges, including the ongoing war in Ukraine.

### *3.2.1. Support innovation and realise the defence potential of SMEs*

By encouraging and supporting more structured and systematic cooperation across the EU, the EDF has paved the way towards a more innovative EDTIB, and towards the opening- up and Europeanisation of supply chains. However, it is essential to further increase the EU's ambition to efficiently foster defence innovation and the emergence of new players in the defence supply chains. The sector needs to take full advantage of faster civil innovation cycles for technologies with dual-use potential to maintain its competitiveness and ensure the military's edge on the battlefield.

To remain competitive, the capacity and autonomy to develop innovative defence products must also be underpinned by support for research into future-proof defence capabilities, including in disruptive technologies. The latter can have a profoundly transformative effect on Member States' militaries and provide a critical operational advantage. To that effect, the EU must seek to offer innovative undertakings – especially start-ups, SMEs, small Mid-Caps and Research and Technology Organisations (RTOs) – **more flexible, faster, and leaner funding cycles and facilitate better connections with military end-users and investors.**

Against this background, the EU Defence Innovation Scheme (EUDIS), developed under the EDF with a EUR 2 billion budget<sup>25</sup>, will propose within this MFF, innovation support services for single entities, including through matchmaking with investors, partners and end-users, and strengthen support for innovative product and technology testing and validation. It will work to reduce red tape, especially for SMEs and small Mid-Caps, by exploring for instance the introduction of **'ever-warm' calls** for projects and ways to support promising technology transfer from civil to defence, where applicable.

The continuous and intense cooperation between the European Commission (EUDIS) and EDA (Hub for EU Defence Innovation – HEDI), allows defence innovators to take full advantage of tailored EU support measures, including the guidance on the military end-user capability requirements and opportunities to connect to European defence communities. On an annual basis the EUDIS, in close cooperation with HEDI supports up to 400 innovative start-ups and SMEs to help them break through traditional entry barriers.

The Commission services will support hackathons, after consultation with EDA (HEDI), where young engineers and start-ups will come together and compete to find the best solution to solve concrete battlefield issues, starting with challenges encountered on the ground by Ukrainian armed forces. To further support the Ukrainian Defence Technological and Industrial Base, a **EU Innovation Office in Kyiv** will act as a bridge between EU start-ups and innovators and Ukrainian industry and Armed Forces. It will help transmit technological breakthroughs that can have an impact on the battleground.

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<sup>25</sup> EUR 1.46 billion budget sourced from the EDF and EUR 500 million leveraged from other public and private sources.

***Box 4. SMEs: already at the core of the EU's efforts in support of industrial defence***

As agile players, SMEs play an ever more important role as providers of disruptive technologies and innovation in the defence community. The Commission has therefore taken action to support a more active contribution of SMEs to EU defence R&D, notably by providing **dedicated EDF calls targeted at SMEs** whilst encouraging their participation in all other projects. Cross-border cooperation involving SMEs is one of the award criteria of the EDF programme, and financial bonuses apply based on the level of involvement of SMEs for development actions.

As a result of the 2021 and 2022 EDF calls, 511 SMEs have been awarded EUR 354 million, representing respectively 40% of participants and 20% of the funding. In the 2023 EDF calls, the participation of SMEs represented around 50% of the total number of entities, requesting 30% of total requested grant amount. **For the period 2023-2027 it is estimated that EDF should fund SMEs with up to EUR 840 million.**

In 2022 the EDF allocated EUR 224 million to Defence Innovation and SME support under EUDIS, including specific activities such as technological challenges. EUDIS measures are further developed and implemented to support SMEs throughout their growth cycle. A major milestone was reached in January 2024, with the launch of a **Defence Equity Facility to invest**, together with the European Investment Fund, part of the EIB group, **up to EUR 500 million in promising defence SMEs to accompany their growth**. In 2024 a defence accelerator is expected to be launched, and matchmaking activities with investors will be organised.

*3.2.2. Help EDF projects become a tangible reality beyond the R&D phase*

With more than EUR 1 billion per year over 2021-2027, the EDF is already a powerful instrument to boost defence industrial cooperation and incentivize cross-border defence research and development contributing to more European defence industrial value chains<sup>26</sup>.

However, beyond the research and early development phases, the collaborations reach a 'commercialisation gap' at the prototyping stage, where the required level of Member State involvement becomes significantly higher.

Moreover, diverging operational requirements and national industrial policies might lead defence companies to terminate cooperation once the EDF action ends. To avoid this, defence cooperative actions initially supported by the EDF and having reached the prototype stage, based on common, harmonised functional requirements, might need **sustained support towards industrialisation**.

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<sup>26</sup> In three years, more than 145 projects involving 2618 participants have been launched, <sup>(26)</sup> forming the backbone of the EU defence industrial ecosystem, which currently addresses a wide range of cutting-edge defence capabilities and technologies. Cooperations involve research organisations (609 participations); SMEs (826 participations); larger entities (1113 participations), public bodies (456 participations) and higher education institutes (230 participations) that together constitute the EDTIB of the future.

The Structures for European Armament Programme and the extension of the EDIRPA logic will be instrumental to maximise the uptake of projects stemming from EDF. In addition, EDIP will provide for **repayable grants for specific actions** linked with the production and commercialisation of prototypes, in particular those stemming from EDF.

The successful bridging of the ‘commercialisation gap’ after the R&D phase of collaborative projects also requires that the involved Member States agree when the prototype stage is reached, on the conditions for export of the jointly developed products. Considering the ongoing review of the EU Common Position 2008/944/CFSP on arms export control, the Commission together with the High Representative renews the call<sup>27</sup> to Member States to explore ways towards the streamlining and gradual further convergence of their arms export control practices, especially for those defence capabilities that are jointly developed. For the same purpose, Member States should also exchange best practice on export control rules for jointly developed capabilities.

Furthermore, the Commission will take actions to facilitate the intra-EU transfers of defence-related products in EU-funded projects and seek to simplify the management of transfer licensing conditions and processes, in particular by introducing clauses on transfers in the concerned Model Grant Agreement with the aim of limiting the recourse to end-user certificates.

Several elements currently impede a correct and effective implementation of Directive 2009/43/EC, preventing the full exploitation of related benefits on the defence market. To better analyse existing challenges currently hindering its effective implementation, the Commission will perform an **evaluation of the Directive by end 2025**.

### **3.3. Ensuring Security of Supply at the EU level**

Resilience is a precondition of the EDTIB readiness and competitiveness.

The EU has already developed tools and frameworks to increase industrial readiness and resilience to tackle future crisis situations, including within the framework of EDA<sup>28</sup>. However, such measures are either not available or applied only to a limited extent by Member States to support the EDTIB. **An EU-wide Security of Supply regime will therefore be put in place**, warranting greater resilience and, by the same token, offering a competitive advantage for the EDTIB and EU defence supply chains. By providing a level of security of supply that external competitors cannot offer, EU defence supply chains could enjoy a ‘trust dividend’ from Member States.

#### *3.3.1. Greater security of supply to maximise the defence potential of the internal market*

Within EDIP, the Commission proposes setting up a modular and gradual **EU Security of Supply regime** to enhance solidarity and effectiveness in response to tensions along

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<sup>27</sup> Communication on Commission contribution to European defence, COM(2022) 60 final.

<sup>28</sup> For instance, EU Member States adopted a Framework Arrangement on Security of Supply in 2013. This framework was meant to be implemented through the establishment of codes of conduct or implementing arrangement, and in 2014 a Code of Conduct on Prioritization was adopted by the EDA Steering Board.

the supply chains or security crises and allow for the timely identification of potential bottlenecks. Different sets of measures are proposed to tackle two types of crises:

- Supply crises, where shortages of civilian or dual-use components or of raw materials **seriously threaten the timely availability and supply of defence products**. In this case, after activation by the Council of a “**crisis state**”, a toolbox will ensure the supply of the concerned components and/or raw materials for defence supply chains, including, where necessary and justified by the overarching public interest, by ensuring priority over some or all civilian supplies (**priority rated orders**).
- **Supply crises** which are directly linked to the existence of a **security crisis** within the Union or its neighbourhood. To face such scenarios, the Council should be given the possibility to activate a **second, upper level of the crisis state to resort to measures necessary and proportionate to the resolution of the crisis** (mostly focusing on the supply of products specifically designed for military use).

To underpin the effective, efficient, and proportionate use of this two-layer crisis framework, the Commission proposes to perform an **identification and monitoring of critical products for certain defence supply chains**, to be identified together with Member States in the frame of the Defence Industrial Readiness Board.

Building upon the framework currently available in other sectors, and on the EDA Key Strategic Activities, this identification and monitoring will primarily rely on publicly available information and, only where needed, on data provided by undertakings (subject to Member States national security guarantees).

### *3.3.2. Enabling and de-risking strategic stockpiling*

To further de-risk security of supply for the EDTIB, as a long-term objective, the Commission will consider **funding strategic stockpiling by industry of basic components** such as electronic components and raw materials that are transversally used in defence systems <sup>29</sup>. The creation of such stocks would allow for cost reduction, in case large orders are placed, and permit to contain the price inflation resulting from the surge in demand during a crisis.

As part of the EDIP, the Commission proposes a **small-scale preliminary pilot test**, by allowing for the support to the creation of strategic stockpiling. Such a system will complement the crisis time prioritisation mechanism, ensuring the latter will remain a last resort option. Ongoing work on resilience and preparedness measures as part of the Action Plan on Military Mobility 2.0, including through existing PESCO projects on military mobility and a network of logistic hubs could also be considered in this regard.

### *3.3.3. Identifying upfront and addressing the most strategic dependencies*

Excessive dependencies on technologies that are critical for the defence sector hamper the freedom of action of Member States’ Armed Forces and have a potential negative impact on the competitiveness of the EDTIB, because of associated restrictions.

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<sup>29</sup> In this regard, the Commission will consider the possibility to rely on tools developed under the Critical Raw Materials Act [COM(2023) 160].

The Commission has already established the **EU Observatory of Critical Technologies**<sup>30</sup> to identify dependencies and develop technology roadmaps to mitigate them. Its first classified report has just been delivered to Member States. A scaling up of the Observatory will allow a faster identification of dependencies, monitoring of supply chains and will create an overview of criticalities. Work to date has been started with a subset of Electrical, Electronic and Electro-mechanical (EEE) semiconductor-based components and autonomous systems technologies.

In parallel, cross-fertilisation between work programmes of other Union instruments, such as the EDF and Chips for Europe programme, will be sought, to mitigate dependencies identified and ensure that the EDTIB has at its disposal defence industrial enabling technology and products such as trusted chips, supporting its readiness.

The Commission also supports EU Member States, in particular their regional and local authorities, through the Technical Support Instrument<sup>31</sup>, providing tailor-made technical support to design and implement reforms for advancing economic and technology security, competitiveness and bolstering the resilience of supply chains in the Member States.

**Way forward:**

To secure availability based on a more responsive EDTIB across all time horizons, the Commission:

- proposes to **expand, within EDIP, the ASAP intervention logic**, beyond ammunition and missiles, and to complement it with the development of ‘**ever-warm**’ facilities and possible **repurposing of civilian production lines**.
- will, together with the High Representative and Member States, design a policy proposal to **support the production of drones** within the EU or possibly jointly with Ukraine by mobilising relevant instruments.
- proposes, within EDIP, the creation of a **Fund to Accelerate Defence Supply Chain Transformation (FAST)**. This new financial instrument will support SMEs via debt and/or equity financing.
- will provide **sustained support towards industrialisation** of defence cooperative actions initially supported by EDF, through repayable grants under the framework of EDIP.
- proposes the establishment of a modular and gradual **EU Security of Supply regime** to enhance solidarity and effectiveness in response to tensions along the supply chains or security crises and allow for the timely identification of potential bottlenecks.

The EU:

- will open an **Innovation Office in Kyiv** to ensure matchmaking between the Union’s start-ups and innovators and Ukraine’s industry and armed forces.

<sup>30</sup> Roadmap on critical technologies for security and defence, Strasbourg, 15.2.2022 COM(2022) 61 final.

<sup>31</sup> [https://commission.europa.eu/funding-tenders/find-funding/eu-funding-programmes/technical-support-instrument/technical-support-instrument-tsi\\_en](https://commission.europa.eu/funding-tenders/find-funding/eu-funding-programmes/technical-support-instrument/technical-support-instrument-tsi_en)



#### 4. FINANCING THE UNION'S AMBITION FOR DEFENCE INDUSTRIAL READINESS

In order for this strategy to succeed in its aim to implement a new ambition for defence industrial readiness at EU level, it should be accompanied by a bold increase of funding, commensurate with the challenge we are facing.

The proposal for a Regulation establishing EDIP alongside this strategy includes **a budget of EUR 1.5 billion** for investment in the defence industrial readiness of the EDTIB.

This should be complemented by additional amounts for the development of the Ukrainian DTIB and its closer integration with the EDTIB and the Union defence equipment market. Also, the immediate defence exigencies of Ukraine call for additional financing for the procurement of military material in support of the exercise of its right of self-defence. If the Council were to adopt a CFSP decision under Article 29 of the Treaty on European Union (TEU) upon a proposal by the High Representative to transfer to the Union extraordinary cash balances of central securities depositories arising from the unexpected and extraordinary revenues from Russia's immobilised sovereign assets, such additional support could be drawn from these revenues, in line with the objectives of the Union's CFSP. In case these additional resources were to become available, they could potentially increase the European Peace Facility's financial capacity for the procurement of military equipment in support of Ukraine, or any other Union instrument. **In other words, this would entail using the windfall profits of frozen Russian assets to jointly purchase military equipment for Ukraine.**

As and when the immediate defence needs of Ukraine permit, certain amounts could also be drawn from such extraordinary cash balances for the purposes of the medium- and long-term development of the Ukrainian DTIB, benefiting from the provisions set out in the proposal for a Regulation establishing EDIP, as well as for Ukraine's general budgetary needs for recovery and reconstruction.

This budget, given the scale of the effort needed to ensure the defence industrial readiness across the Union, has to be considered as a bridge – limited in scale - towards the next Multi-Annual Financial Framework. Given that the security challenges faced by Europe are likely to remain, it is important that the **next MFF includes an ambitious financial envelope on defence** with relevant budgets for the successors of both EDF and EDIP for the period from 2028 onwards.

This Strategy calls for a renewed ambition in the current MFF via the EDIP, and a strengthened budget in support of defence industries for the next MFF. Still, given the change of the security paradigm resulting from the steep increase of regional and global threats, representing potentially existential security challenges for the Union and its Member States, and the fact that the next MFF will only begin in 2028, it is necessary to launch a discussion on quantifying the EU's financing needs for defence industrial readiness which would be commensurate with this change of the security paradigm, and on how to ensure such adequate financing. This calls for a joint exploration with Member States, in a short time-frame, to assess needs and options to boost through available instruments, such as a financially reinforced EDIP and EPF, large-scale joint defence procurements for Ukraine and for Member States, massive and faster industrial ramp-up of the EU defence industrial base and the launch of defence flagship projects to protect unimpeded access to the EU's contested areas.



## 5. MAINSTREAMING A DEFENCE READINESS CULTURE, INCLUDING ACROSS EU POLICIES

The **European defence industry is a crucial contributor to resilience, security, and social sustainability**. There will be no economic prosperity without peace on the continent, and the EDTIB role in this respect needs to be fully acknowledged in the Union's regulatory environment and policies. The EDTIB also forms a single and critical aerospace and defence ecosystem, whose key actors are also contributors to technologies that are at the core of the green transition.

It is therefore crucial to make sure that the EDTIB enjoys a level of access to finance that is commensurate to the level of investments needed, operates in the adequate regulatory environment and is sufficiently attractive for the young generations and the most talented.

### 5.1. Facilitating access to finance

Ensuring sufficient access to finance and leveraging public investment for the EU defence sector is vital given the compelling need to boost investment in this ecosystem. Therefore, it is indispensable to involve the financial sector. To achieve this, the Commission and the High Representative/Head of the Agency, where relevant, will work with Member States, industry and the financial sector to improve the EDTIB access to both private and public finance.

#### 5.1.1. Access to private finance

The EDTIB faces persistent barriers in accessing finance, in particular private finance. According to a recent Commission study<sup>32</sup>, SMEs operating within the defence sector face higher barriers to accessing finance compared to companies active in other sectors. During 2021-2022, two thirds of the consulted companies refrained from seeking equity financing and close to 50% refrained from seeking debt financing, a stark contrast to the 6.6% average among SMEs in the EU during the same period.

With a view to boosting the sector's access to financing, the Commission and EDA together with Member States will take the initiative to reach out to banks and investors for a **high-level dialogue** to discuss their intensified participation, identify difficulties and find ways to stimulate private sector engagement to support defence investments.

Financial actors' willingness to engage with the defence industry appears to be affected by specificities of the defence market (including complexity of procurement or the difficulties for them to assess the exact implications of existing international conventions on arms) or to assumptions around Environmental Social Governance (ESG) factors.

Under the EU sustainable finance framework, **no EU rule, or any EU planned rule, impedes private investment in the defence industry**. The Commission services, together with ESMA as appropriate, will provide guidance on the application of the EU sustainable finance framework in the area of defence. In close cooperation with EDA, the Commission will enhance the dialogue between the defence and financial sectors and contribute to support industry in increasing transparency. The Commission will also

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<sup>32</sup> "Access to equity financing for European defence SMEs" [https://defence-industry-space.ec.europa.eu/study-results-access-equity-financing-european-defence-smes-2024-01-11\\_en](https://defence-industry-space.ec.europa.eu/study-results-access-equity-financing-european-defence-smes-2024-01-11_en)

work towards a better recognition of the EU's sovereignty, resilience and security, in particular within the EU sustainable finance framework. The Governmental Expert Network on ESG, managed by the EDA, is one example of a platform where such mutual understanding and trust could be further developed. In particular, this forum should strengthen the interface between Member States' Ministries of Defence and the financial sector.

This would allow for concrete actions to mitigate the defence industry's current challenges relating to access to finance, as synergies between institutional actors and private actors on capital markets have been identified as critical in this regard.

***Box 5: Defence industry and the EU sustainable finance framework***

The Union defence industry is a crucial contributor to the resilience and the security of the Union, and therefore to peace and social sustainability. Against this backdrop, the EU **sustainable finance framework** is fully consistent with the Union's efforts to facilitate the European defence industry's sufficient access to finance and investment. It **does not impose any limitations on the financing of the defence sector**.

EU rules on sustainability disclosures and preferences apply horizontally across all industries and do not single out any sector. The Commission has not issued any kind of 'social Taxonomy' so far and there are no plans to do so. With the exception of weapons subject to prohibitions by international conventions signed by Member States - which are therefore deemed by the EU to be incompatible with social sustainability - **the defence industry enhances sustainability**, given its contribution to resilience, security and peace.

Similarly, the fact that specific defence industrial activities have so far not been included in the EU's Environmental Taxonomy, **does not prejudice defence industries' environmental performance and should therefore not affect their access to finance**.

*5.1.2. Taking full benefit of existing horizontal EU financial instruments*

The EDTIB can already, in principle, benefit from existing EU financial instruments, implemented via InvestEU. Nevertheless, the current lending policies of the European financial actors implementing InvestEU, including the EIB Group and National Promotional Banks and Institutions, and of International Financial Institutions, represent a **major hurdle in the deployment of such financial instruments**, beyond the potential financing of dual-use technologies, in support of the sector.

This is illustrated by the inability to implement the ASAP 'Ramp-up Fund'. **Modifying their lending policies, in particular that of the EIB Group, is thus necessary and a major priority** to ensure that the defence sector **has access to and can fully benefit from EU financial instruments**. Such a modification will also have positive cascading effects, by giving a significant positive signal to the financial market and private banks.

In addition, the EU needs to maximise opportunities offered by synergies and complementarities between financing instruments and grants. The future MFF should, in that respect, seek to further optimise synergies between EU instruments, as mentioned in the Commission White Paper on options to boost investment in R&D of technologies

with dual use potential<sup>33</sup>. The public consultation on the White Paper being currently ongoing, the content of this strategy is without prejudice to future Commission actions in this area. Under the current set-up it is already possible for defence to tap into faster civil innovation cycles where applicable, and vice-versa, bearing in mind that some technologies used in defence platforms have dual-use potential.

**The Commission and the High Representative/Head of the Agency invite the EIB Group's governing bodies and in particular the EIB Board to adapt defence-related exclusions from the EIB Group's Lending Policies**, in line with EU policy priorities and applicable law. This would allow the EIB to support production of military equipment and more generally the European defence industry, as recently also called for by the European Parliament<sup>34</sup>. An agreement on a common definition of 'technologies with dual-use potential' between the Commission and the EIB Group, building on the Strategic European Security Initiative and the Defence Equity Facility, could contribute to promote joint investments in technologies, products and infrastructure with a dual-use potential.

However, such a step, while welcome, **would not be sufficient**. The EIB, by its mandate stemming from Article 309 of the Treaty on the Functioning of the European Union, shall contribute to the balanced and steady development of the internal market in the interest of the Union. The defence industry is an integral part of the internal market. To meet the financing needs of the sector and enable the full mobilisation of EU funding programmes, including InvestEU, in support of defence readiness, the **EIB should take all necessary steps<sup>35</sup> to review its lending policy this year and to adapt it in line with current policy priorities and objective needs**. The public financial actors of the Member States are invited to do likewise.

#### *5.1.3. Full integration of defence and security as a strategic objective of relevant Union funding and programmes*

The **EDTIB should fully benefit from Union funding** designed for technological and industrial development, including under **Cohesion Policy Funds**, notably the ERDF<sup>36</sup>, ESF+<sup>37</sup> (e.g. on skills), Cohesion Fund (e.g. for transport) and **InvestEU**, provided this is in line with the respective programme and policy objectives. While the defence industry is already eligible under these instruments, Member States should consider a stronger steering of those EU funds that are under shared management towards the sector, where

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<sup>33</sup> The European Commission, White Paper on options for enhancing support for research and development involving technologies with dual-use potential, Brussels, 24.1.2024 COM(2024) 27 final.

<sup>34</sup> See European Parliament resolution of 28 February 2024 on the financial activities of the European Investment Bank - annual report 2023 ([2023/2229\(INI\)](#)). The report particular "calls on the EIB to enhance its support to the Strategic European Security Initiative and to the European defence industry, including SMEs, in particular to contribute to continued support for Ukraine; calls on the EIB to reform its eligibility list so that ammunition and military equipment that go beyond dual-use application are no longer excluded from EIB financing".

<sup>35</sup> E.g. any necessary preparatory steps, such as market analyses.

<sup>36</sup> European Regional Development Fund.

<sup>37</sup> European Social Fund Plus

this supports regional development and competitiveness, to mirror its prominent role as a priority of the Union and a crucial contributor to the Union's stability and security.

In this respect, the Commission will consider including or maintaining **defence readiness, security and resilience as an explicit strategic objective under future relevant EU programmes** to ensure that they support fully the EDTIB, and that the implementing partners and intermediaries (in the case of indirect management) face no obstacles in pursuing those objectives.

## **5.2. Ensuring that the EDTIB operates in an adequate regulatory environment**

The EDTIB should be able to operate in an adequate regulatory environment. To do so, **defence considerations need to be mainstreamed in EU policies**. Possible negative impacts on the EDTIB of Union's initiatives should be identified and mitigated as early as possible. The Commission will therefore **include in its initiatives defence industrial readiness considerations**, on a more systematic basis and where relevant. Moreover, the Commission in cooperation with the High Representative/Head of the Agency will continue to liaise with the Member States and the EDTIB on these issues, by building on existing initiatives facilitated by the EDA in areas such as Regulation (EC) No 1907/2006 on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)<sup>38</sup> and the Single European Sky (SES) initiative.

The evolving security situation also requires the Commission to reflect on reducing administrative lead times, while ensuring the necessary degree of sound financial management. The 2024 revision of the Financial Regulation will allow the Union to take the necessary steps under emergency conditions to support defence industrial readiness.

## **5.3. Improving the attractiveness of the defence sector for the young generations and the most talented**

Investing in people and their skills is key to keeping abreast of emerging technologies and to attracting and retaining talent in the sector. The EU is supporting Member States and facilitating partnerships to work together on understanding the current and future skills needs of the sector (e.g. through the European Pact for Skills).

The prevailing labour and skills shortages in the defence industry have their roots in the previous underinvestment in new defence programmes and the lack of attractiveness of the sector, as well as restricted work force mobility and its ageing. While understanding and mitigating the negative perceptions of the defence industry is key to improving the sector's attractiveness, also for a diverse workforce, further actions are needed by all stakeholders to be fully able to tap into the Union's human resource potential, including overcoming gender-based stereotypes. To this end, the Commission's forthcoming Action Plan to address labour and skills shortages in the EU will aim at removing the bottlenecks for sustainable growth that these shortages have contributed to create in many sectors, thereby enabling the EU's future long-term competitiveness while upholding quality jobs and a workforce that is equipped with the right skills.

The Commission and the High Representative/Head of the Agency will, in addition to mainstreaming defence, **explore actions with the aim of improving workforce mobility and supporting defence-related education**, notably through the opportunities

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<sup>38</sup> Including continued cooperation with the European Chemicals Agency.

provided by the EU defence industrial programmes, and cooperation between education providers, including the European Security and Defence College.

#### 5.4. Helping the EDTIB to contribute to the green transition

To contribute to the green transition and strengthen its resilience and cost-efficiency, the EDTIB must continue its efforts to make its production and products more sustainable, reducing carbon emissions and increasing circularity in line with EU policies and ambitions. The Joint Communication on a New Outlook on the Climate and Security Nexus recognises the importance of the defence industry for the climate adaptation and mitigation efforts of Member States' Armed Forces. There are further opportunities to explore synergies and possible areas of cooperation between Member States, industry and EU services, including with regard to innovation, analytics and standardisation for new renewable energy sources used by the military as well as wider commercial sector. Ensuring an appropriate visibility and recognition of efforts made by the defence sector towards environmental sustainability could also contribute to its overall societal acceptance.

The Commission and the High Representative/Head of the Agency **will continue to support the EDTIB's efforts towards green transition**, e.g. through the actions proposed in the Joint Communication on the Climate and Security Nexus, including Green Procurement.

##### **Way forward:**

In order to mainstream a European defence readiness culture, the Commission, working with the High Representative/Head of the Agency:

- invites **EIB Group's governing bodies to review this year the EIB Group's Lending Policies**, and to adapt the current **defence-related exclusions**, in line with EU policy priorities and applicable law.
- will **enhance the dialogue between the defence and financial sectors**, and provide guidance on the application of the EU sustainable finance framework.

Furthermore, the Commission:

- will **encourage increased support to security, resilience and defence readiness through Union funding programmes**. This objective will be also considered in the preparation of future EU programmes.

## 6. ACHIEVING READINESS AND RESILIENCE THROUGH PARTNERSHIPS

The ambition of the EU to swiftly achieve defence readiness should also be leveraged through partnerships, including notably with Ukraine, as well as through enhanced cooperation with NATO, strategic partners and like-minded partners – European, transatlantic and beyond - and other international organisations

### 6.1. Developing ever closer ties with Ukraine

Ukraine is and will increasingly be a crucial partner of the Union in the defence industrial sector. Faced with a high intensity war of aggression, the Ukrainian DTIB had to shift to a war economy model. It will emerge as one of the engines of the economic recovery of the country at the end of the war and a testbed of defence industrial readiness. A closer cooperation between the EU and the Ukrainian defence industrial sectors will be part of



the EU's future security commitments to Ukraine. The Ukrainian DTIB and the EDTIB could therefore mutually benefit from enhanced cooperation.

The Commission and the High Representative/Head of the Agency will take forward the following measures.

**Participation in Union programme in support of defence industry:**

- To strengthen ties between EDTIB and Ukraine's DTIB, the EDIP will provide the possibility for Ukraine to participate in joint procurement and to Ukrainian defence companies to be supported in their industrial ramp-up and cooperation with the EDTIB.

**Stimulating cooperation between the Ukrainian DTIB and the EDTIB:**

- The EDA will make full use of its existing Administrative Arrangement with Ukraine, and together with Member States explore a possible revision of its scope as soon as conditions allow.
- The Commission services, the EDA and the EEAS will foster dedicated information exchange on standards and on respective lessons learned.
- In the context of the proposed Ukraine Assistance Fund within the European Peace Facility the EEAS will explore options to further incentivise cooperation between EU and Ukrainian defence industries.
- The EU will host an EU-Ukraine Defence Industry Forum in 2024, to bolster cooperation between Ukrainian and EU defence industries.

**Further support to Ukraine through the EDTIB:**

- Through joint procurement from the EDTIB of the military equipment delivered in the framework of the proposed Ukraine Assistance Fund within the European Peace Facility, the EU defence industry will benefit from more predictability on the priority needs of Ukraine
- Subject to decision by the Council, further support for procurement of military equipment for Ukraine could be done via the European Peace Facility, drawing from the extraordinary cash balances of central securities depositories arising from the unexpected and extraordinary revenues from Russia's immobilised sovereign assets.
- The EEAS, the EDA and the Commission services will continue to regularly update the Ukraine Defence Contact Group and promote the capacity of the EDTIB to further support Ukrainian needs, including in the context of the capability coalitions.

## **6.2. NATO**

In line with the three Joint Declarations on EU-NATO cooperation<sup>39</sup>, enhanced staff-to-staff talks, including the possibility of a dedicated structured dialogue with NATO, could cover more prominently defence industry-related activities and topics of mutual interest, including on circular economy, interoperability, industry aspects of climate change,

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<sup>39</sup> [EU-NATO Joint Declaration \(8 July 2016\)](#); [EU-NATO Joint Declaration \(10 July 2018\)](#); [EU-NATO Joint Declaration \(10 January 2023\)](#).



interoperability, standardisation cross-certification, and responses to new and emerging threats. This will require increased information sharing, including classified information, between NATO Staff, on the one hand, and relevant Commission services, the EEAS and EDA on the other hand. Both organisations should continue to exchange views and explore synergies and complementarity of efforts in the realm of supply chain security essential to capability development and delivery.

The EU will also explore the potential for further strengthening cooperation between the EEAS, EDA, NATO International Staff and the NATO Support and Procurement Agency (NSPA), as well as between the Defence Innovation Accelerator for the North Atlantic (DIANA), the EDA HEDI and EUDIS on innovation.

### **6.3. Teaming-up with strategic and international partners to achieve defence readiness**

The internationalisation of supply chains means that it is virtually impossible to maintain an end-to-end control on raw materials and thousands of components of a complex system.

Strengthening mutually beneficial partnerships with strategic partners, international organisations, and like-minded third countries, including through security and defence dialogues, can amplify the Union's efforts towards defence industrial readiness. This cooperation will be flexible. It will vary in form, scope and types of participants in function of shared interests. Such a cooperation should contribute to further secure supply chains, reinforce the EDTIB and reduce EU's strategic dependencies, without creating new (or perpetuating existing) ones.

In addition, the EDA will continue to make best use of its existing administrative arrangements, in line with the principles for cooperation with third parties agreed by Member States.

#### **Way forward:**

The Commission and the High Representative /Head of the Agency, will:

- explore measures to enhance the participation of Ukraine in the Union's programmes in support of defence industry, including under EDIP, **the possibility for Ukraine to participate in joint procurement**, support the industrial ramp-up in Ukraine and enhance cooperation between the EDTIB and the Ukrainian defence industry;
- in the context of the **Ukraine Assistance Fund** proposed by the High Representative, ensure further EU military support to Ukraine, notably through sending demand signals to the European defence industry to increase production capacity with a view to sustaining Ukraine's war effort in the long-term as well as **incentivising cooperation between European and Ukrainian defence industries**
- enhance **staff-to-staff structured dialogue with NATO** on topics of mutual interest.
- host **an EU-Ukraine Defence Industry Forum in 2024** to bolster cooperation between Ukrainian and EU defence industries.

## **CONCLUSION**

For decades the Union's citizens have enjoyed an unprecedented period of peace. However, Russia's war of aggression against Ukraine, as well as the rising tensions at EU's doorsteps, call for the EU and its Member States to take up **strategic responsibility**

**and power up the EU defence industry** to address the unprecedented security threats and challenges they are facing.

A technological cutting edge and capacity to steadily guarantee the availability of any defence equipment are prerequisites to the ability of the Union to guarantee the effectiveness of its Member States's armed forces and thereby to preserve peace on the continent. This strategy proposes ambitious measures to foster and support the EDTIB's transformation over the coming decade.

By expanding and complementing existing EU defence industrial policy tools and by outlining the political, industrial, and budgetary ambition to be mobilised in support to the EDTIB, the latter will be empowered to leverage the efficiency gains of a more genuinely integrated defence market and to unleash the untapped potential of scale effects.

**The implementation of the strategy will help the European defence industry to be more responsive to urgent needs without sacrificing the future.** From earlier and more cooperative investment planning to greater support to industrialisation and joint acquisition; from a more effective incorporation of innovation to greater continuity in the efforts deployed to develop high end capabilities and strategic enablers; from stronger security of supply to greater freedom of action, **this strategy will serve as a catalyst of what it takes to restore and preserve peace in the European continent.**

The adaptation of the Union's defence industry to the current security and market trends has to be addressed as a matter of priority. The European Commission and the High Representative / Head of the Agency are ready to support Member States in this endeavour.