**REVIEW** 01/2026

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# EU defence policy in the spotlight

EUROPEAN
COURT
OF AUDITORS

# Contents

# Main messages

## The review

**01** The EU's security situation has changed drastically over the past few years. Russia's full-scale war of aggression against Ukraine that began in early 2022, but also geopolitical turmoil with conflicts on the rise around the globe and the erosion of the global multilateral order, have led EU member states to realise that the EU needs to become more capable in the fields of security and defence. This has marked a shift in EU defence policy, from crisis management and crisis responses outside the EU towards a greater focus on member states' defence readiness.

**02** There is consequently an urgent need to ramp up European defence production capacities and for the member states to strengthen their own capabilities in this area. However, the European defence technological and industrial base (EDTIB) has been affected by years of underinvestment and insufficient cooperation between member states. This has led to insufficient stockpiles of ammunition and missiles, long manufacturing lead times for defence products, strong dependence on non-European suppliers and bottlenecks in transport networks. In response to the situation, the EU launched several initiatives for member states to collaborate and pool their efforts to strengthen the EDTIB.

**03** The aim of this review is to provide an update on the EU defence landscape since our 2019 review on European Defence, and to highlight risks, challenges and opportunities associated with recent EU initiatives in the area. We intend to provide our stakeholders with relevant information and analysis of the EU's defence policy and its latest developments, in particular on significant issues related to financial management, governance, transparency and accountability. We also refer to key messages from our previous work on the topic.

04 While acknowledging that there is a broadening of security and defence approaches in the EU encompassing hybrid threats, cyber security and civil preparedness, these fall outside the scope of this review. Similarly, our review does not focus on areas such as security of supply of critical raw materials, intelligence and secure communication through space-based technologies – although we recognise their importance for defence.

05 Our review brings together information from the institutional and non-institutional stakeholders responsible for implementing the EU's defence policy: EU players, the defence industry and a number of EU defence policy experts. We examined EU legislation, policy papers, reports and previous audit work, along with studies from research institutions, think tanks and academia. We had discussions with the European Commission, the European External Action Service, the European Defence Agency, the General Secretariat of the Council, representatives from the European defence industry, NATO and policy experts.

06 The review covers the period from 2020 to July 2026. We have emphasised the most recent changes and have taken into account the latest developments in EU defence policy.

07 This is not an audit report; it is a review mainly based on publicly available information or material specifically collected for this purpose.

# Challenges and opportunities

08 The Treaties firmly anchor defence within the sovereignty of the member states, with decisions to be taken unanimously and with limits on supranational EU action (paragraph ***22***). However, especially since 2022, both the member states and the EU institutions have taken action to strengthen the EU's defence (paragraphs ***27***-***31***).

09 The member states have sharply increased their defence spending, which grew by approximately 79 % between 2020 and 2025. They have allocated this money to increase their military capabilities and to support Ukraine (paragraphs ***32***-***34***). In addition, they have called upon the Commission and the High Representative of the Union for Foreign Affairs and Security Policy, who is also Vice-President of the European Commission, to launch the necessary initiatives for the EU to achieve defence readiness by 2030. The central strategic documents that support this new level of ambition are the Strategic Compass for Security and Defence and the White Paper for European Defence – Readiness 2030 (paragraphs ***28***-***29***).

**10** Although the EU budget is prohibited from funding operations with military or defence implications, it may be used to strengthen the EDTIB through industrial policy for defence (paragraphs ***20-26***). EU defence expenditure remained relatively modest until 2021, with an allocation of €590 million. However, as of 2021, there has been a significant increase as the EU has launched a range of instruments aimed to foster greater cross-border defence cooperation and encourage member states to jointly develop and procure capabilities and products within the EU and associated countries. Each instrument targets specific objectives at different stages of the capability development lifecycle. Some of the instruments were emergency measures put in place after the start of Russia's full-scale war of aggression against Ukraine, but they have transformed into long-term programmes to strengthen European defence. In the 2021-2027 period, €11.3 billion has been allocated to defence-related programmes and an estimated €20.6 billion redirected from other funds towards defence objectives. Additionally, up to €150 billion in loans will be made available to member states. Defence funding at EU level is expected to rise further in the upcoming budget cycle, depending on the approval of the proposed 2028–2034 budget. All of this marks a pivotal moment for the EDTIB, as – for the first time – its development and integration are a core objective of the European industrial strategy (paragraphs ***36-39***, ***41***).

**11** We have identified several opportunities, challenges and risks associated with the above developments.

- The challenging security context paired with increased level of funding opens up opportunities to expand the EDTIB's capacities, drive innovation and dual-use technologies, and develop new forms of cooperation such as defence clusters and capability coalitions, while strengthening strategic partnerships, particularly with Ukraine (paragraphs ***55-56***, ***72-73***).

- Despite ambitious EU plans and rising spending, achieving defence readiness by 2030 is challenging, due to ongoing major constraints. Insufficient coordination among various EU funding streams, as well as between EU and national funding, together with the absence of an effective, top-down EU planning process may lead to fragmented investments, duplication or persistent capability gaps. Funding may still be inadequate to address agreed defence priorities and the allocation of additional funding does not immediately translate into operational capabilities, as these require time to develop (paragraphs ***57-63***).

- Incentivising member states to source their defence systems from European suppliers through EU preference clauses could be a way to reduce dependencies on non-European suppliers in the long term, but it would have to be balanced with short-term operational needs (paragraphs ***55-59***).

- If it is not implemented adequately, increased funding carries implementation risks, such as having a limited impact on addressing capability gaps due to high inflation rates, or having spending targets without related performance requirements. It can also result in bottlenecks of materials, key components or skilled staff, making it difficult to use the allocated funds (paragraphs ***64***-***67***).

- The increasing use of debt-financed defence spending, EU-backed loans and the activation of flexibility clauses may undermine fiscal sustainability by slowing public debt reduction, increasing contingent liabilities and placing additional pressure on the EU budget headroom, in the absence of proper provisioning (paragraphs ***65***, ***68***).

- The EU's defence policy is characterised by a complex institutional framework and a multilevel governance structure. This creates significant coordination challenges across the different players and increases the risk of overlapping responsibilities. The financial accountability arrangements are equally complex, and vary depending on the funding instrument and entity involved. The absence of an audit mandate for all bodies and instruments involved limits the ECA's ability to fully perform its role of external auditor (paragraphs ***76***-***81***).

# A closer look

## A changing context and growing EU ambition

### Triggers for change

12 In recent years, several events have changed attitudes towards defence across the EU. The result is a new and evolving policy landscape also shaped by the global security situation, which is generally deteriorating.

13 Russia's full-scale war of aggression against Ukraine began on 24 February 2022 and represented a watershed moment for European defence. The return of conventional, high-intensity warfare in its neighbourhood affected the EU both economically and politically. The war resulted in a drop in EU GDP growth compared to pre-war forecasts, and an energy and cost-of-living crisis that drove up inflation rates[1]. Furthermore, more than 4.5 million Ukrainian refugees fled to EU member states[2]. Politically, the war pushed defence issues to take centre stage in the EU in a way that has not been seen in Europe since the end of the Cold War.

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1 Economic impact of Russia's war on Ukraine: European Council response, European Parliamentary Research Service, February 2024.

2 Ukraine Refugee Situation, United Nations High Commissioner for Refugees.

14 Long before the war in Ukraine started, insufficient cooperation between member states had already generated inefficiencies in the development of defence capabilities. The EDTIB had been affected by years of underinvestment (known as the "peace dividend")[3], and access to financing continues to represent a significant constraint today, particularly for small and medium-sized enterprises (SMEs)[4]. According to the Joint communication on the Defence Investment Gaps Analysis and Way Forward published in May 2022, the Commission estimated that if all member states had spent 2 % of their GDP on defence from 2006 to 2020, this would have meant an extra €1.1 trillion for defence spending[5]. In addition, the European Parliamentary Research Service (EPRS) estimated that the cost arising from the lack of common EU-level action (referred to as the "cost of non-Europe") in defence spending ranges from €18 billion to €57 billion per year[6].

15 Russia's war against Ukraine exposed major defence vulnerabilities across EU member states, reflecting these decades of underinvestment. EU stockpiles of ammunition and missiles were insufficient when faced with the demands of supporting a partner engaged in high-intensity warfare (***Box 1***). The industry faces decades of low-rate production[7] and a limited surge in industrial capacity to replenish stocks[8], exacerbated by long manufacturing lead times for defence products. In addition, our 2025 report on military mobility found that the bottlenecks in transport networks affect military mobility, thereby limiting the ability of European forces to move efficiently around the continent. For an overview of relevant ECA products, see ***Annex IV***.

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3 Sebastian Clapp, "EU Member States' defence budgets", EPRS, March 2026, p. 1.

4 European Commission, "Access to equity financing for European defence SMEs", 2024, p. 9.

5 JOIN(2022) 24, Joint communication on the Defence Investment Gaps Analysis and Way Forward, p. 5.

6 Marco Centrone and Meenakshi Fernandes, Improving the quality of European defence spending. Cost of non-Europe report, European Parliamentary Research Service, November 2024.

7 Hannah Aries, Bastian Giegerich and Tim Lawrenson, The Guns of Europe: Defence-industrial Challenges in a Time of War, International Institute for Strategic Studies, 19 June 2023.

8 EU military support to Ukraine, European Commission, 24 April 2026.

**Box 1**

### 155mm artillery ammunition: bridging the gap between battlefield demand and EU industrial capacity

Artillery remains central to the war in Ukraine, driving sustained demand for 155mm ammunition. In 2022, Ukrainian forces fired around 6 000-8 000 shells per day (180 000-240 000 per month)[9]. More recent estimates point to 150 000-200 000 per month, compared with up to 600 000 for Russia[10].

Comparatively, EU production was limited to 300 000-400 000 shells per year in 2022, reflecting decades of downsizing in European defence industrial capacity.

In March 2023, the Council of the EU agreed on a three-track approach consisting of (1) reimbursing EU member states for ammunition and missiles donated to Ukraine from their existing stocks, (2) the joint procurement of 155mm artillery ammunition and their components as well as missiles, and (3) ramping up the industrial support, notably through the Act in Support of Ammunition Production (ASAP), with a target of one million shells within 12 months.

Despite delays, output has increased. Member states delivered one million artillery ammunitions (155mm shells and missiles) to Ukraine in November 2024[11], eight months after the March 2024 deadline which had been set in March 2023.

*Source:* European Parliamentary Research Service, *Reinforcing the EU's defence industry*, March 2026.

**16** Hybrid attacks have increasingly affected European infrastructure and have also intensified in recent years. These include sabotage, the disruption of critical infrastructure, cyberattacks, foreign information manipulation and interference, and attempts to undermine democracy and electoral processes[12]. The combination of conventional warfare and hybrid attacks has led the EU and its member states to put greater emphasis on the need to ramp up traditional defence capabilities along with bringing together the internal and external security dimension, and a "whole-of-society" approach to security and preparedness.

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9 SWD(2024) 515, Commission staff working document for EDIP.

10 Euromaidan press, "Frontline report: Europe moves fast—for once—and floods Ukraine with shells", 2 May 2025.

11 Francesco Bortoletto, "EU managed to deliver one million shells to Kyiv", EU News, 20 November 2024.

12 Russia's hybrid activities: EU sanctions, European Council, Council of the European Union, 21 April 2026.

17 In addition to the war in Ukraine, the global security has also deteriorated in other respects. Geopolitical turmoil with conflicts on the rise around the globe, such as the wars in the Middle East and the erosion of the global multilateral order[13], have driven the need for strategic autonomy in the EU. The worsening of the security situation has occurred in parallel with changes in Europe's security and defence architecture. While the North Atlantic Treaty Organization (NATO) remains a cornerstone of collective defence for those EU member states that are also NATO allies, the EU's drive to strengthen strategic autonomy and ensure greater burden-sharing within NATO has increased. For the 23 EU member states that are also NATO allies, this has led to increased commitments for defence expenditure[14] and the need to coordinate the enhancement of their defence capabilities within both NATO and the EU.

18 The war in Ukraine has also highlighted the fragmentation and complexity of the defence industry's value chains and its strong dependence on non-EU suppliers. From the onset of the war in Ukraine until June 2023, 78 % of defence acquisitions by EU member states were sourced from outside the EU, with the US alone representing 63 %[15]. Although there are various metrics to measure this dependency, they consistently demonstrate that a substantial share of EU defence spending goes to non-EU suppliers, particularly to the United States[16] [17]. Historically, the US has exported considerably more to the EU than the EU has to the US[18]. While early signs may indicate a reduced reliance on US weapon purchases[19], the EU increased its purchases from the US in the years following the start of

[13] Foresight report 2025 – Resilience 2.0 – Empowering the EU to thrive amid turbulence and uncertainty, European Commission, 2025.

[14] The Hague Summit Declaration issued by the NATO Heads of State and Government participating in the meeting of the North Atlantic Council in The Hague 25 June 2025.

[15] JOIN(2024) 10, Joint communication on a new European Defence Industrial Strategy.

[16] Juan Mejino-López and Guntram B. Wolff, "Europe's dependence on US foreign military sales and what to do about it", Bruegel, 13 October 2025.

[17] Alex Burilkov, Katelyn Bushnell, Juan Mejino-López, Thomas Morgan and Guntram B. Wolff, "Fit for war by 2030? European rearmament efforts vis-à-vis Russia", Bruegel & Kiel Institute for the World Economy, June 2025.

[18] Daniel Fiott, The poison pill - EU defence on US terms?, European Union Institute for Security Studies, June 2019.

[19] Giuseppe Spatafora, "The foreign policy-first president? US external action under Trump 2.0 – in data", European Union Institute for Security Studies, February 2026.

Russia's full-scale war of aggression against Ukraine[20]. This has led to calls for the European surge in defence spending to be increasingly directed towards the EDTIB.

**19** The call for a stronger industrial base is situated in the context of rapid technological developments and increased global competition for resources. Innovations – such as quantum technologies, biotechnology, neurotechnology, advanced materials and robotics – will become increasingly prominent within the next decade[21]. These can be used for both civilian and military purposes and often require the same resources. Strategic raw materials are equally as important for green and digital technologies as they are for defence and aerospace applications[22]. The EU currently relies heavily on imports of these materials, often from a single non-EU country[23]. In this way, vulnerabilities in the EDTIB are related to the broader issues of strategic autonomy and security of supply. This means that other policy areas are increasingly incorporating defence-related perspectives. These multiple, interacting factors have created a sense of urgency with regard to defence.

## Governance framework anchored in the Treaties

**20** The EU institutions, bodies, agencies and the member states have taken action to strengthen the EU's defence since the start of Russia's full-scale war of aggression against Ukraine. These actions are taking place against the backdrop of a governance framework shaped by the Treaties. The role of the EU institutions has traditionally been limited in the field of defence. The Treaty on European Union (TEU), as amended in 2007[24] and in force since 2009, introduced the common security and defence policy (CSDP) and defined more explicitly the current roles for institutional players in relation to defence. The Treaty on the Functioning of the European Union (TFEU) complements the TEU, and governs how the EU operates its internal market and economy, serving as the legal basis for EU defence industry instruments (***Figure 1***).

[20] Juan Mejino-López and Guntram B. Wolff, Europe's dependence on US foreign military sales and what to do about it, Bruegel, 13 October 2025.

[21] Foresight report 2025 – Resilience 2.0 – Empowering the EU to thrive amid turbulence and uncertainty, European Commission, 2025.

[22] Special report 04/2026: "Critical raw materials for the energy transition – Not a rock-solid policy".

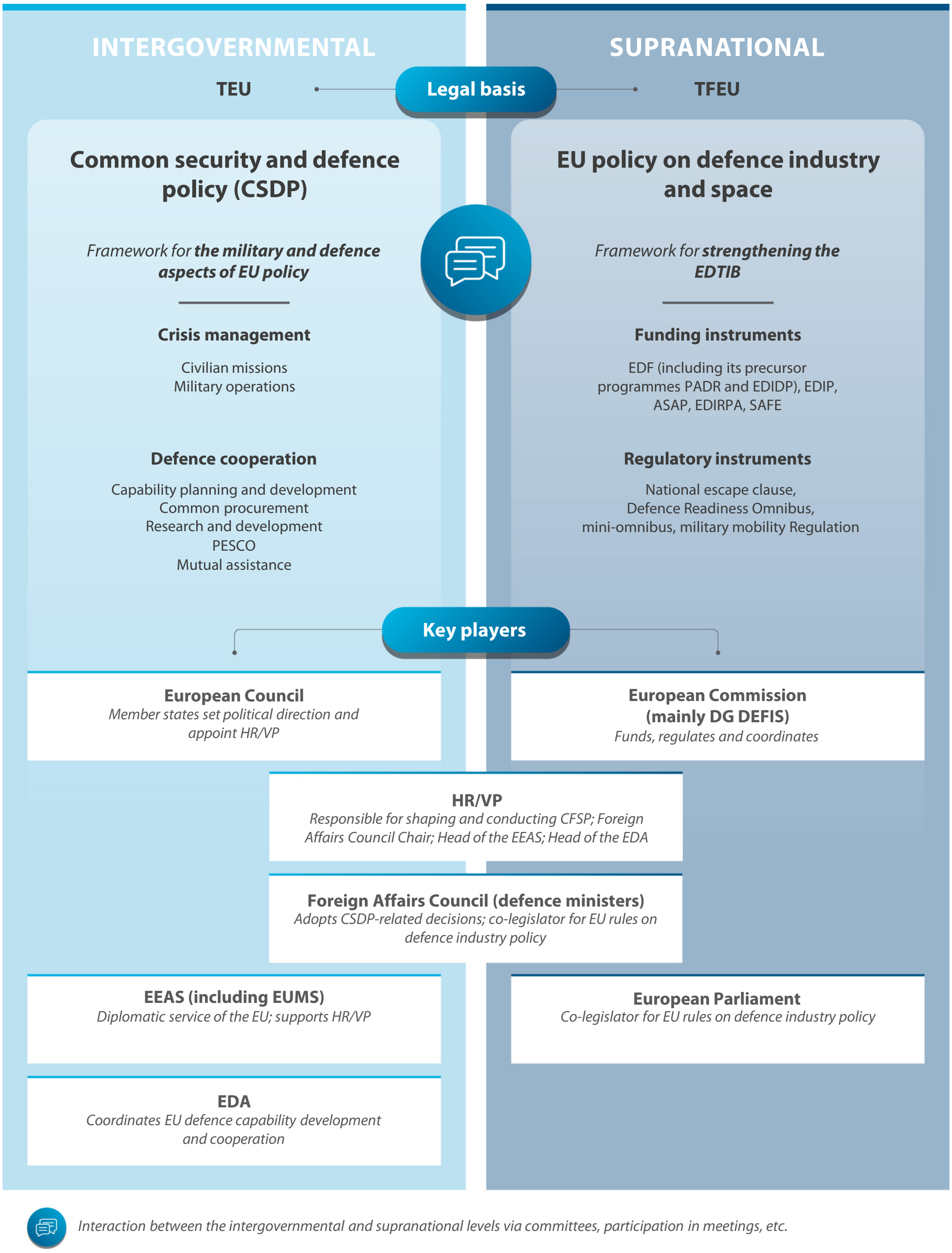
[23] Ibid.

[24] Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community.

**21** The CSDP forms part of the common foreign and security policy (CFSP) and deals with matters related to the EU's security, including a "progressive framing of a common defence policy that might lead to common defence". Overall EU foreign policy is steered by the European Council (consisting of the heads of state or government). Within the Council of the EU, defence and security are the responsibilities of the Foreign Affairs Council (consisting of the ministers of foreign affairs, and ministers of defence when defence matters are on the agenda). The European External Action Service (EEAS), including the EU Military Staff (EUMS), is the diplomatic branch of the EU and acts under the authority of the High Representative of the Union for Foreign Affairs and Security Policy, who is also Vice-President of the European Commission (HR/VP)[25]. The European Defence Agency (EDA) is an EU agency, established in 2004, which operates under the authority of the Council of the EU and supports the Council and the member states in their efforts to improve the EU's defence capabilities.

[25] Council Decision 2010/427/EU on establishing the EEAS.

## Figure 1 | The EU's defence policy and governance framework




**ASAP** - Act in Support of Ammunition Production, **CFSP** - common foreign and security policy, **DG DEFIS** - Directorate-General for Defence Industry and Space, **EDA** - European Defence Agency, **EDF** - European Defence Fund, **EDIDP** - European Defence Industrial Development Programme, **EDIP** - European Defence Industry Programme, **EDIRPA** - European defence industry reinforcement through common procurement Act, **EDTIB** - European defence technological and industrial base, **EEAS** - European External Action Service, **EUMS** - EU Military Staff, **HR/VP** - High Representative of the Union for Foreign Affairs and Security Policy / Vice-President of the European Commission, **PADR** - Preparatory Action on Defence Research, **PESCO** - Permanent Structured Cooperation, **TEU** - Treaty on European Union, **TFEU** - Treaty on the Functioning of the European Union, **SAFE** - Security Action for Europe

*Source:* ECA, based on information from the Commission, Council and Parliament.

**22** The current legal framework provides opportunities for the member states to collaborate in the area of defence policy on a voluntary basis, while mainly limiting the Commission's competences to defence industry policy. As defence is a core expression of national sovereignty, member states retain a leading role and EU defence policy remains fundamentally intergovernmental, with specific rules and procedures which are different from those of other EU policies. Consequently, defence remains firmly anchored in the member states, with limits on supranational EU action. This means that the Council takes a central position with regard to EU defence policy and is a key decision maker, with decisions relating to the CFSP and the CSDP generally to be taken by unanimity.

**23** The CSDP is the EU's framework for crisis management and defence cooperation, enabling member states to undertake CSDP civilian and military missions and operations outside the EU as part of the EU's integrated approach to external conflicts and crises[26]. It supports peacekeeping, conflict prevention and the strengthening of international security, often in cooperation with international organisations such as the United Nations (UN) and NATO. The EU has launched numerous civilian missions and military operations abroad under the CSDP. Civilian missions are financed through the EU budget and rely on capabilities provided by member states (Article 42 TEU). Pursuant to Article 41(2) TEU, expenditure arising from operations with military or defence implications cannot, in principle, be financed by the EU budget. The costs of military missions and operations are therefore financed primarily by the participating member states through specific intergovernmental mechanisms and national contributions. The funding arrangements vary depending on the mission or operation concerned[27].

**24** The member states' collaborative framework also includes several treaty-based initiatives and entities that are funded off-budget through member states' contributions. This includes, for example, the EDA, which is a key player in supporting the development of defence capabilities and promoting defence collaboration in the EU and the Permanent Structured Cooperation (PESCO). Activated in 2017 by 23 member states, and now numbering 26 participants, PESCO is a treaty-based cooperation framework to jointly plan, develop and invest in capability development and enhance the operational readiness, interoperability and effectiveness of the armed forces through legally binding commitments. The PESCO secretariat is made up of representatives from the EDA and the EEAS – including the EUMS. In the 2017–2025 period, PESCO has generated a total of

[26] The Common Security and Defence Policy, EEAS, 24 September 2025.

[27] Bruno Bilquin, EU missions and operations abroad, European Parliamentary Research Services, 29 October 2024.

83 collaborative projects (74 of which are still ongoing) across land, maritime, air, space and cyber domains.

**25** Article 42(7) TEU forms the legal basis for the EU's mutual assistance clause. Once activated by a member state which has been attacked on its territory, the other member states have an obligation of aid and assistance by all means in their power. This assistance must be consistent with commitments under NATO (for those member states that are also NATO allies) and cannot be contrary to the specific character of member states' security and defence policy (for those that are not NATO allies). The clause has only been invoked once, by France, following the terrorist attacks in November 2015. EU member states regularly hold scenario-based discussions and carry out exercises to increase understanding on the implementation of the clause, boost readiness and build resilience. Since March 2026, after Cyprus was targeted by drones during the war between Iran, Israel and the United States, discussions on how to operationalise the clause have intensified in order to tackle challenges linked with its practical application[28].

**26** The TFEU empowers the Commission to support the competitiveness of the European defence industry. This policy domain allows the Commission to facilitate cooperation between member states in defence research, development and production, without encroaching on member states' prerogative to determine their own national defence priorities and strategies. By promoting defence industry policy, the Commission can play a role in strengthening the EDTIB through initiatives that encourage joint investment. With regard to defence, the Treaties effectively position the Commission mainly within its more traditional competences linked to the internal market, trade and industry. By means of Council decisions and Council conclusions, the member states may task and invite the Commission to take further initiatives in the defence sector.

## Increasing level of EU ambition

**27** Especially since 2022, EU member states have increasingly recognised that the EU needs to become more capable in the fields of security and defence. This marked a shift in EU defence policy, from crisis management and crisis responses outside the EU towards greater focus on member states' defence readiness.

**28** On 11 March 2022, only two weeks after the start of Russia's full-scale war of aggression against Ukraine, EU heads of state or government put forward the Versailles Declaration, which called for the bolstering of EU defence capabilities and further decisive steps towards building European sovereignty. The Strategic Compass for Security and

[28] EU to game out bloc's mutual assistance clause in case of attack, Politico, 17 April 2026.

Defence followed a short time later, setting out a plan to increase the EU's strategic autonomy and make the EU a stronger and more capable security provider for its citizens. Elaborated under the lead of the HR/VP in close cooperation with the Commission and the EDA, the Strategic Compass was approved by all 27 member states on 22 March 2022 and set a significant benchmark for European security and defence policy as a member state-driven overarching framework. In response to the Council's call for a greater ambition with regard to EU defence, the Commission and the HR/VP presented an analysis of the defence investment gaps which needed to be closed to achieve these new ambitions.

**29** To support this new level of ambition, the Commission and the EEAS (including the EUMS) are also working to complement and multiply member states' individual defence efforts with a view to "building a true European defence union"[29]. The Commission and the HR/VP have presented several initiatives and strategic documents intended to achieve defence readiness by 2030 (***Figure 2***). The central strategic document is the White Paper for European Defence – Readiness 2030, which lays out options for member states to collaborate and pool their efforts in closing the capability gaps and strengthening the EDTIB. According to the Defence Readiness Roadmap 2030, defence readiness entails developing and acquiring the capabilities that are needed for modern warfare. This requires Europe to have an industrial base for defence, to give it a strategic advantage and the necessary independence – with cutting-edge innovation and fast, mass production at critical times[30].

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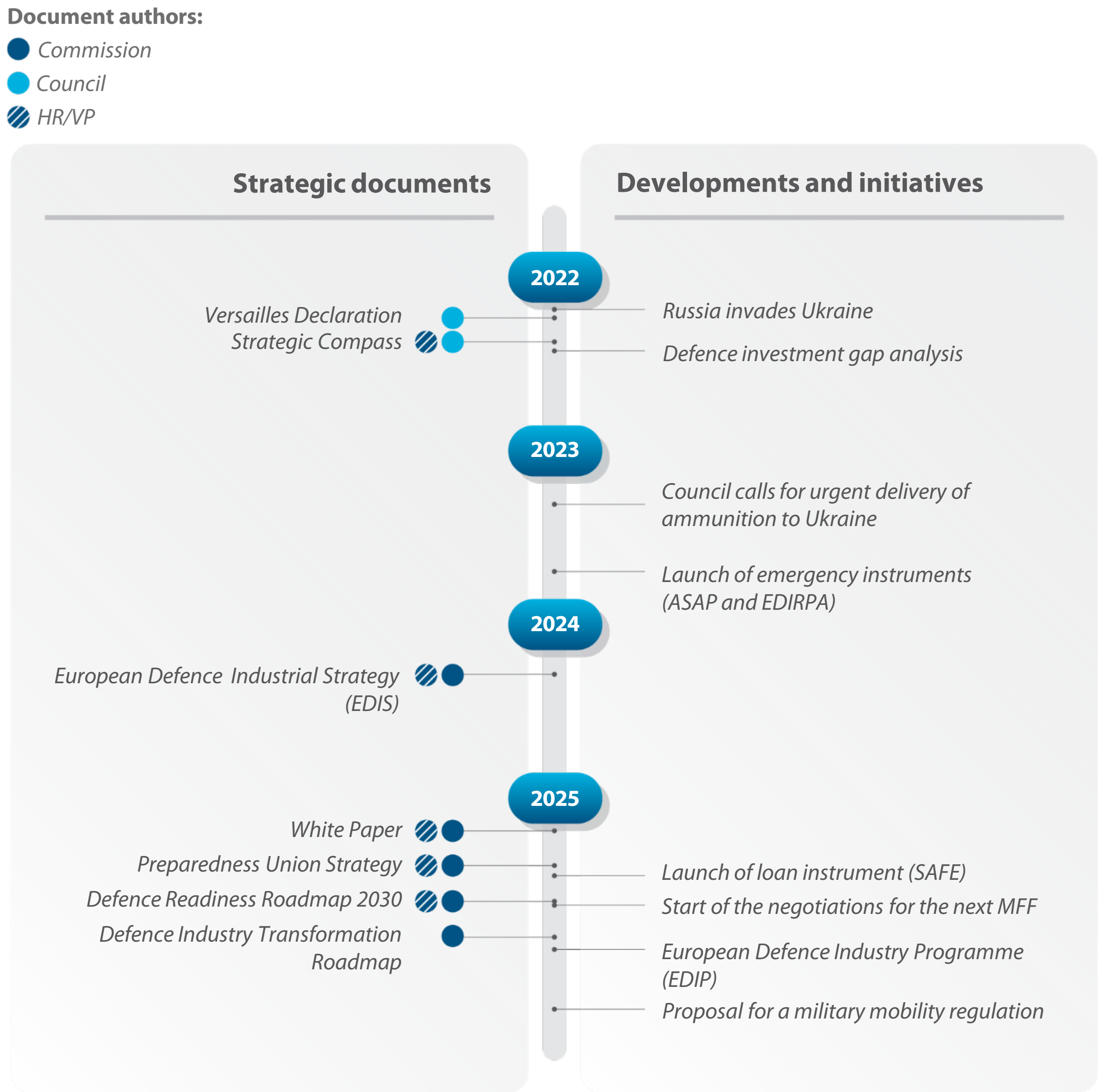
[29] Europe's choice. Political guidelines for the next European Commission 2024–2029, Ursula von der Leyen, 18 July 2024.

[30] JOIN(2025) 27, Joint Communication on Defence Readiness Roadmap 2030.

## Figure 2 | Timeline of relevant strategic documents and initiatives




*Source:* ECA, based on information from the Commission, Council and Parliament.

**30** To bolster the core defence strategic framework, the Commission and the HR/VP are also working on an "holistic" approach to be prepared for conflicts and crises, linking defence and security. As a recent step in that direction, the 2025 preparedness union strategy complements the strategic goal of defence readiness. The strategy focuses on three approaches: an integrated all-hazards approach, a whole-of-society approach and a whole-of-government approach. This entails preparing for all types of hazard, instead of addressing them separately. It also means involving all sectors, organisations and citizens, to ensure coordination and collaboration across government agencies and departments, while linking the external dimension of security to preparedness measures in the EU.

**31** The emergence of new technologies which are relevant for both civilian and military use, and general concern for the resilience of value chains, have also prompted the EU to consider how to capitalise on civilian-military synergies[31]. The evolving nature of modern conflict, which relies increasingly on disruptive technologies, makes having the technological edge a decisive factor for military superiority.

# EU actions: moving towards preparedness and an increasingly structured approach

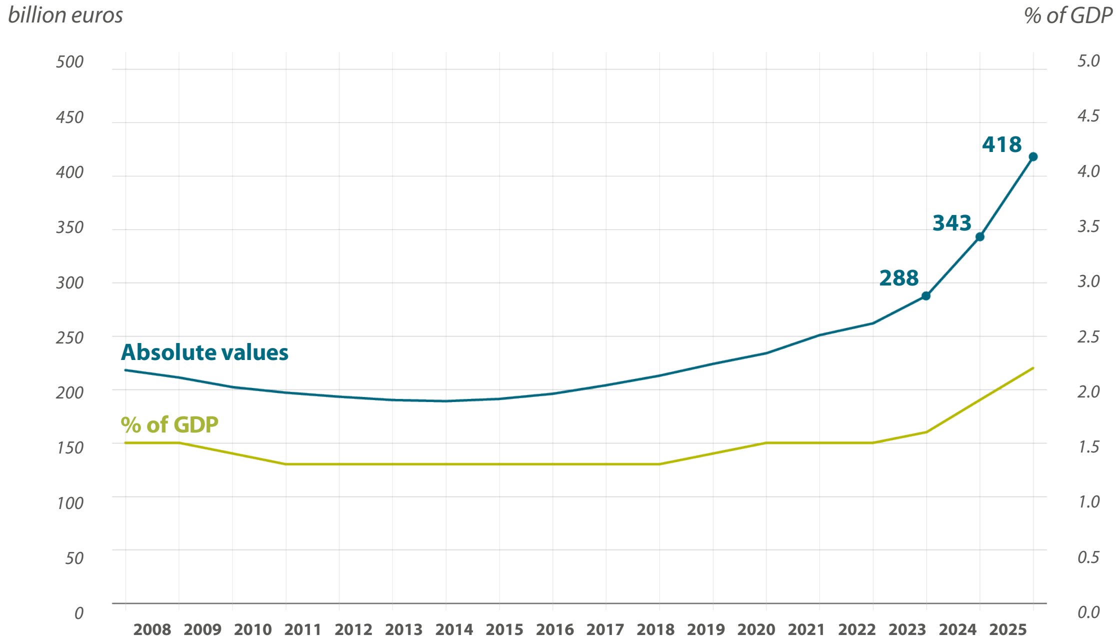
## Sharp increase in member states’ defence spending and surge in EU financial instruments

**32** Since 2022, additional financial resources have been mobilised both at EU and individual member state levels to address the effects of years of underinvestment. In response to Russia’s war of aggression against Ukraine, collective annual EU defence budgets have risen sharply, from €262 billion in 2022 to a combined total of €418 billion in 2025 (***Figure 3***). In 2026, member states’ budgets should reach an estimated €454 billion altogether. Overall, member states’ combined defence spending (in constant prices) increased by 78.6 % between 2020 and 2025[32].

[31] COM(2025) 484, Commission Communication on the 2025 Strategic Foresight Report.

[32] EDA, Defence Data 2025–2026.

## Figure 3 | EU member states' defence expenditure




*Source:* ECA based on EDA, Defence Data 2025–2026 (for the absolute values) and EDA defence data portal (for the % of GDP).

**33** In 2014, NATO allies agreed to spend at least 2 % of their annual GDP on defence[33]. In 2025, NATO allies committed to higher targets of 3.5 % for core defence spending and 1.5 % for defence and security-related spending (for example to protect critical infrastructure, defend networks, ensure civil preparedness and resilience, innovate, and strengthen the industrial base for defence), bringing the total to 5 % of annual GDP by 2035. ***Figure 4*** shows the defence expenditure of EU member states as a percentage of GDP for 2024. According to the EDA, all EU NATO allies met or exceeded the 2 % defence expenditure target[34] in 2025.

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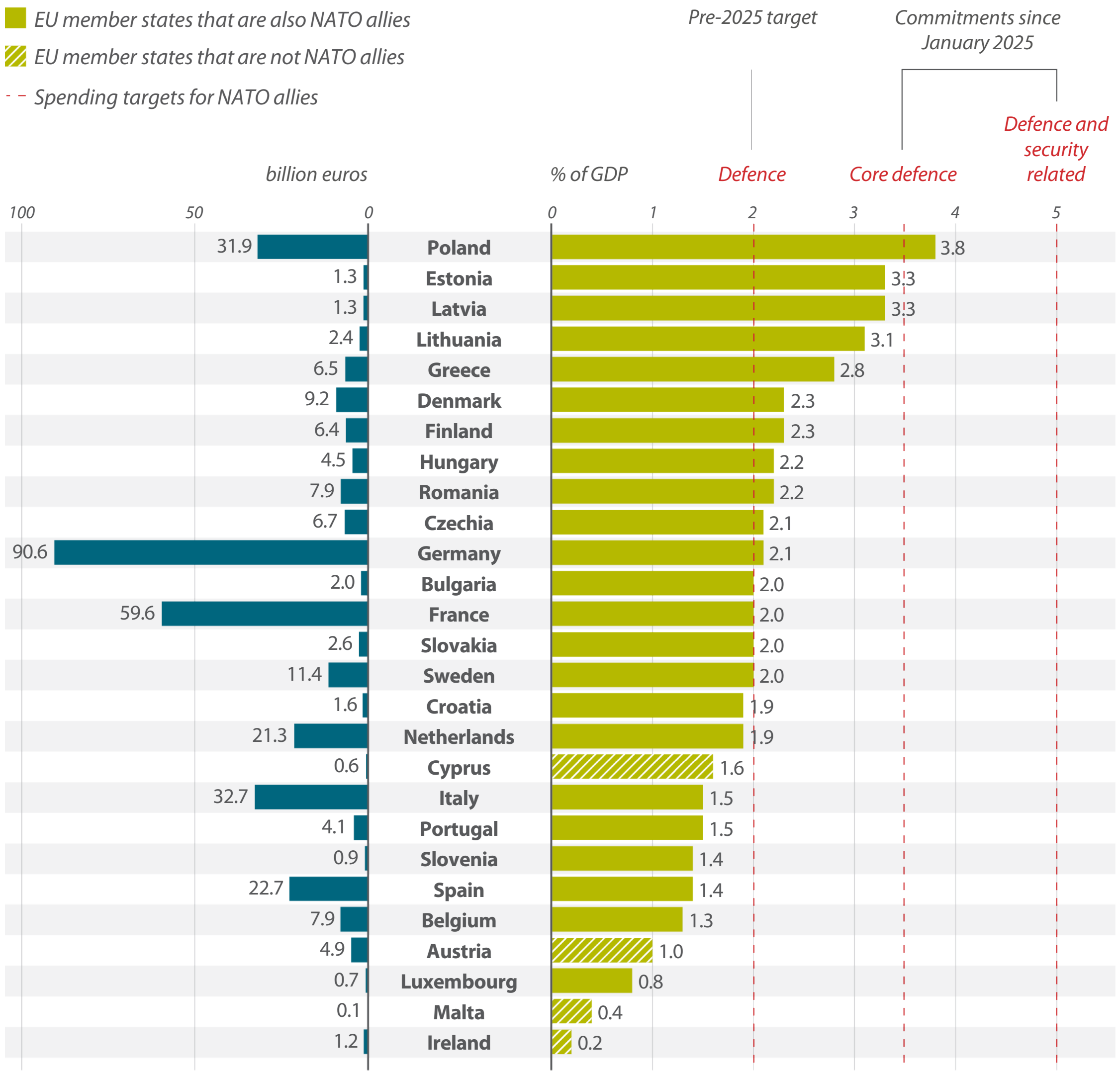
[33] Wales Summit Declaration, NATO, 5 September 2014.

[34] Defence expenditures and NATO's 5 % commitment, NATO, 10 April 2026.

## Figure 4 | EU member states' defence expenditure in 2024




*Source:* ECA based on EDA, Defence Data 2024–2025.

**34** These increased resources are used to strengthen national military capabilities and address long-standing capability gaps (paragraph ***29***). At the same time, a portion of this expenditure has been channelled towards military support for Ukraine, either through bilateral assistance or through the European Peace Facility (EPF) (***Box 2***). In this regard, €6.4 billion out of the approximately €75.2 billion that the EU and the member states have mobilised in military support for Ukraine in the 2022–2025 period[35] is channelled through the EPF.

[35] EU military support for Ukraine, European Council, 24 April 2026.

**Box 2**

### The European Peace Facility (EPF)

The EPF was set up in March 2021 as a fund outside the EU budget. It consists of two pillars.

- Assistance measures: increasingly used to support the delivery of lethal and non-lethal military equipment to partner countries (e.g. ammunition, missiles, protective equipment, first aid kits).

- Operations: finances the common costs of CSDP military missions and operations (the majority of the costs are borne by the participating member states). One of the major ongoing missions is the EU military assistance mission to Ukraine (EUMAM Ukraine) (***Box 5***).

The total financial support allocated via the EPF for the 2021–2027 period amounted to €17 billion, approximately two thirds of which was allocated to Ukraine.

*Source:* ECA, based on European Peace Facility - Consilium.

**35** The EDTIB remains highly fragmented, dominated by “national champions” which primarily serve domestic markets, but also maintain primary export markets outside the EU[36]. In 2021, only around 18 % of the member states’ total defence equipment was collaboratively procured, and 7 % of defence research and technology expenditure collaboratively spent. This is well below the respective 35 % and 20 % benchmarks (which are not translated into binding national targets) set in November 2007 by the EDA’s Ministerial Steering Board[37]. Both collaborative defence equipment procurement and collaborative research and technology spending have been lagging behind their benchmarks since they were set[38]. However, since 2022 the EDA has not consistently reported on the status of collaborative procurement because of incomplete data from the member states. The EDA has stated that EU instruments will likely lead to an increase in

[36] George, M., et al., *Trends in International Arms Transfers 2024*, Stockholm International Peace Research Institute, March 2025.

[37] Press release “EU Ministers adopt Framework for Joint European Strategy in Defence R&T (Brussels, 19 November 2007)” and Defence Data Portal.

[38] Defence Data 2020–2021: Key findings and analysis, European Defence Agency, 2022 (Figure 12).

collaborative procurement, but that improved tracking in the member states would be essential to assess the impact of the financial support mechanisms[39].

**36** Through various initiatives over the last few years, the EU has mobilised a range of financial instruments intended to foster greater cross-border cooperation within the defence sector, and encourage member states to jointly develop and procure defence products and capabilities (***Figure 5***). Each instrument targets specific objectives at different stages of the capability development lifecycle.

- **Joint research and development of defence equipment**: Preceded by two precursor programmes[40], the European Defence Fund (EDF) finances collaborative research and development projects involving consortia from at least three member states. Its aim is to strengthen the EDTIB and reduce fragmentation. Within this instrument, the EU Defence Innovation Scheme proposes a targeted set of measures to attract and support start-ups and SMEs. The EDF has a budget of €7.3 billion under the 2021–2027 multiannual financial framework (MFF), of which €1.5 billion is directed towards the Strategic Technologies for Europe Platform initiative. By April 2026, 281 projects had been selected under calls launched between 2021 and 2025[41].

- **Industrial production capacities**: The manufacturing phase and industrial ramp-up are the next logical steps after the research and development phase. The Act in Support of Ammunition Production (ASAP) is endowed with €500 million and is intended to reinforce and ramp up ammunition production across Europe. Its main objective is to support the urgent delivery of ammunition and missiles to Ukraine and help member states replenish their stocks. In March 2024, the Commission selected 31 projects for 2024 and 2025 to assist European industry in five areas: explosives, powder, shells, missiles and testing capacity.

- **Cooperation in defence procurement**: The purpose of the European defence industry reinforcement through common procurement Act (EDIRPA)[42] is to support more efficient defence procurement, with €300 million of funding from the EU budget. In November 2024, five proposals were selected in three priority areas (ammunition, air

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[39] Defence Data 2024-2025, European Defence Agency, 2025.

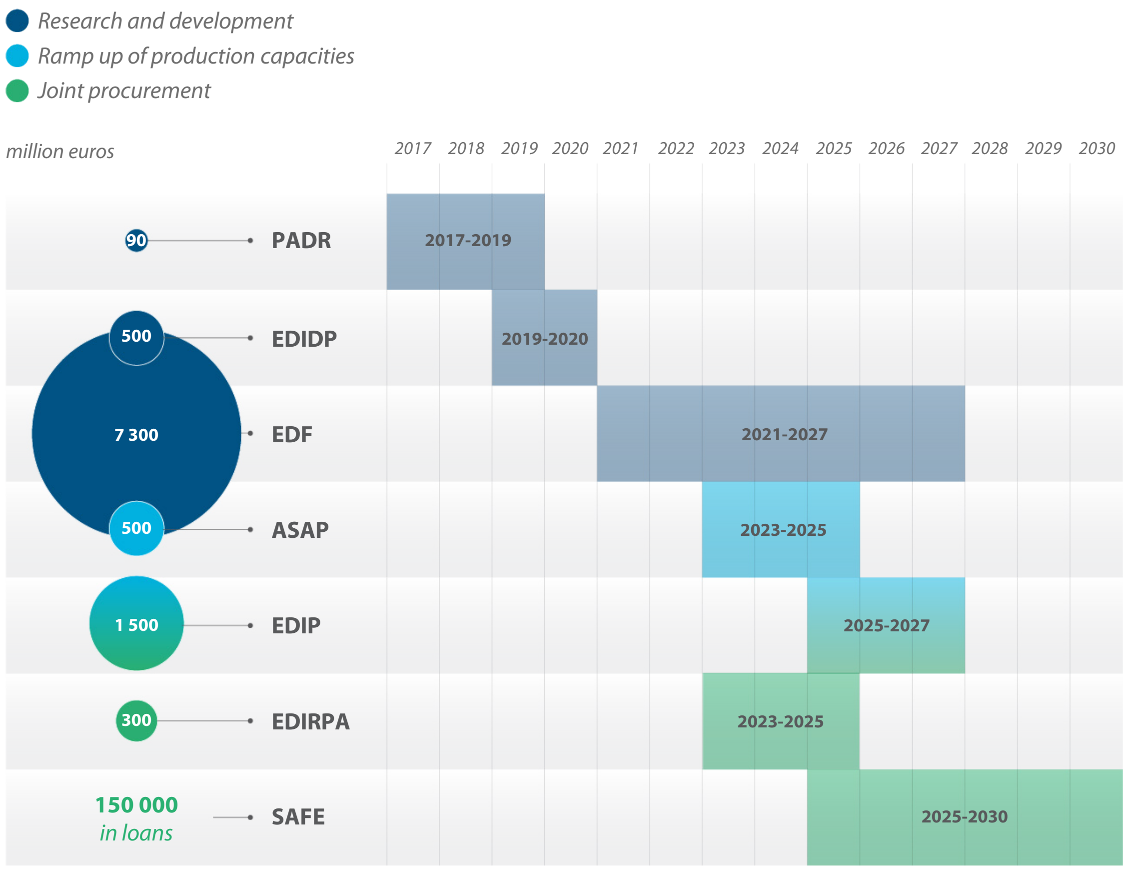
[40] The Preparatory Action on Defence Research (PADR) and the European Defence Industrial Development Programme (EDIDP).

[41] European Defence Fund (EDF) - Official Webpage of the European Commission. - Defence Industry and Space.

[42] Regulation (EU) 2023/2418 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA).

and missile defence, platforms and the replacement of legacy (outdated) systems), involving a total of 20 member states, with an average of six participants per project.

## Figure 5 | Funding instruments for the EU defence industry, financed or guaranteed by the EU budget as of 2026




**PADR** - Preparatory Action on Defence Research
**EDIDP** - European Defence Industrial Development Programme
**EDF** - European Defence Fund
**ASAP** - Act in Support of Ammunition Production
**EDIP** - European Defence Industry Programme
**EDIRPA** - European defence industry reinforcement through common procurement Act
**SAFE** - Security Action for Europe

*Source:* ECA, based on information from the Commission, Council and Parliament.

**37** The European Defence Industry Programme (EDIP) introduces a distinct approach within the set of EU defence instruments managed by the Commission. The EDIP combines regulatory, financial and coordination measures in a single instrument (*Annex I*). Amounting to €1.5 billion over the 2026–2027 period, it "aims to achieve defence industrial readiness by bridging the gap between short-term emergency measures, such as the EDIRPA and ASAP, and a structural, long-term approach".

**38** Unlike the previously mentioned EU defence instruments, which are in the form of grants, the €150 billion Security Action for Europe (SAFE) adopted in May 2025 provides loans on favourable terms – financed through EU borrowing on capital markets – to member states on the basis of national defence industry investment plans and subsequent loan agreements and operational arrangements. Nineteen member states[43] expressed interest in participating as of early 2026, and by mid-April 2026 the Council had adopted implementing decisions for all of them except Hungary. The beneficiary member states repay the loans typically over long maturities of up to around 45 years[44]. At the same time, these loans are provided under certain conditions, such as having a common procurement requirement, rules on component origin, establishment and control of contractors (***Annex II***), and contribution to objectives such as ensuring interoperability and interchangeability across the EU. Taken together, these elements reinforce the Commission's role in shaping the EU's industrial policy for defence. ***Annex III*** presents an overview of the EU funding by member state and instrument, based on available data.

**39** In view of the next 2028–2034 MFF, the Commission has proposed consolidating several existing defence instruments into a single funding vehicle, the European Competitiveness Fund (ECF)[45]. This configuration reflects the EU's intention to streamline current fragmented initiatives while prioritising investments to strengthen resilience and support the defence industry base – throughout the whole investment journey, from research and development to procurement and maintenance. The allocation within the ECF for resilience and security, the defence industry, and space, constitutes the fund's largest component, representing around €125 billion (in current prices) out of a total of €234 billion, i.e. approximately 53 % of the proposed overall allocation. In addition, the proposed European fund for the 2028–2034 period also includes supporting defence capabilities and security as one of its specific objectives.

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[43] Belgium, Bulgaria, Czechia, Croatia, Cyprus, Denmark, Estonia, Finland, France, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Spain. Security Action for Europe – Commission website.

[44] Council Regulation (EU) 2025/1106 on establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument.

[45] Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund (ECF), including the specific programme for defence research and innovation activities, 16 July 2025.

**40** Most of the above defence funding instruments include clauses that refer to the "EU preference principle". This principle requires that defence products and components funded by EU instruments must be predominantly sourced from entities established and operating within the EU or associated countries, to strengthen the EDTIB and reduce reliance on third countries (i.e. countries other than EU member states and associated countries). The clauses also specify who should be able to make changes to the product design and who owns the intellectual property (***Annex II***).

## Updated rules to facilitate access to funds and improve military mobility

**41** Recent changes to existing EU rules have focused on simplifying access to funding for defence initiatives, either by simplifying rules or by allowing unspent funds from other programmes to be redirected to defence, including military mobility. The changes are also intended to remove regulatory barriers to military mobility. Two examples follow below.

- Since 2025, member states have had the possibility to support defence and dual-use investments through cohesion policy funds. Member states consequently reprogrammed €11.9 billion of 2021–2027 cohesion policy funds to strengthen their defence industry capabilities, military mobility, civil preparedness and skills development[46].

- Member states have also the possibility to redirect unspent post-COVID Recovery and Resilience Facility (RRF) funds towards defence[47]. For instance, in May 2025, the Commission approved Poland's request to repurpose nearly €6 billion of RRF funds for defence-related investments by the end of 2026[48].

***Annex III*** presents an overview of the EU funding by member state and instrument, based on available data.

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[46] European Commission press release, "€34.6 billion in cohesion policy funds reallocated to address EU's strategic priorities", 25 March 2026.

[47] Article 5 of Regulation (EU) 2025/2643 establishing the European Defence Industry Programme ("EDIP Regulation").

[48] "Brussels approves Poland's use of post-COVID funds for defence", Euronews, 27 May 2025.

**42** There have also been other significant changes to the EU regulatory framework.

- Changes were made to make it easier for five existing EU programmes and initiatives[49] to support projects with dual-use or defence applications, in particular through the "mini-omnibus for defence"[50].

- The Defence Readiness Omnibus proposed further simplification of legal and administrative frameworks relating to defence preparedness, such as accelerating permit-granting for defence readiness projects and easing environmental requirements.

- In parallel, by mid-2026, 18 member states[51] had been granted additional fiscal flexibility by activating the national escape clause (NEC). The NEC allows a member state to temporarily exceed budgetary limits (during the 2025–2028 period) where this results from increased defence expenditure, while still respecting certain conditions (for example, maximum additional spending of up to 1.5 % of GDP per year beyond the normal fiscal trajectory). If all member states were to use this flexibility to the maximum allowed level, the Commission estimated that the NEC could create around €650 billion in additional fiscal space for defence spending across the EU over the period[52]. The actual use of the NEC is, however, likely to be much lower[53].

**43** Beyond the mobilisation of additional funding, both the Commission and the European Investment Bank (EIB) have introduced adjustments to existing regulatory frameworks to facilitate and accelerate investment in defence-related activities. In line with the proposals endorsed by EU leaders at the Special European Council of 6 March 2025, the EIB's Board further broadened the eligibility criteria for financing the European security and defence sector, with a view to limiting exclusions[54]. Furthermore, since the adoption of

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[49] Strategic Technologies for Europe Platform, European Defence Fund, Digital Europe Programme, Horizon Europe, Connecting Europe Facility.

[50] Council of the EU press release, "EU investments in defence: Council and Parliament agree to support faster, more flexible and coordinated investments in European defence", 5 November 2025.

[51] Austria, Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, Germany, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Slovakia, Slovenia, Spain.

[52] Sebastian Clapp, "EU defence funding", EPRS, October 2025.

[53] The National Escape Clause in practice: Early evidence from the 2025 European Semester.

[54] EIB steps up financing for European security and defence and critical raw materials, EIB, 21 March 2025.

the €8 billion Strategic European Security Initiative in March 2022, the EIB has supported investment in dual-use security and defence. It does this by financing research, innovation and infrastructure projects with both civilian and military relevance, including in areas such as space, cybersecurity, artificial intelligence and critical infrastructure protection.

**44** Complementing the funding for transport infrastructure through the Connecting Europe Facility (CEF) for the 2021–2027 period, the Commission and the HR/VP presented a Military Mobility Package in November 2025. The aim of the package is to facilitate the movement of military personnel and assets across member states (***Box 3***). To support related investments, the Commission's proposal for the next MFF (2028–2034) emphasises a tenfold increase in the available budget for military mobility, from €1.7 billion under the current MFF to a proposed budget of €17.7 billion under the future CEF.

### Box 3

#### Military mobility package

EU member states' ability to respond to crises is constrained by continuing obstacles to the cross-border movement of military personnel and equipment. Military mobility has therefore been identified as a key priority in both the White Paper for European Defence – Readiness 2030 and in the Defence Readiness Roadmap 2030, and has also been identified as a priority area for EU-NATO cooperation. The Commission and the HR/VP launched an Action Plan on military mobility in March 2018, which was revised in 2022 (Action Plan 2.0).

However, design weaknesses and mixed results hampered the implementation of Action Plan 2.0, as highlighted in our 2025 special report on military mobility which recommended improvements in different areas including governance, funding predictability and the selection of dual-use infrastructure projects. Consequently, in November 2025, the Commission and the HR/VP proposed a military mobility package to tackle these challenges. The package combines a proposal for a regulation with a joint communication and sets out measures intended to streamline cross-border procedures and improve coordination.

Developed in close coordination with the EDA, and after consultation with NATO, the package aims to set up an EU-wide military mobility area by the end of 2027, as a first step towards progressively achieving a "military Schengen".

## Evolving governance framework

45 Although the governance framework for EU defence policy remains primarily defined by the Treaties (paragraph *20*), the increasing prominence of defence matters has been reflected in several recent developments.

- The Commission set up the Directorate-General for Defence Industry and Space (DG DEFIS) in January 2020, marking the first Commission directorate-general specifically dedicated to space and defence industry policy.
- In 2024, the Commission assigned – for the first time – a specific Commissioner portfolio for defence and space, signalling a stronger political prioritisation of this area.
- The European Parliament reinforced its oversight in December 2024 by upgrading the Subcommittee on Security and Defence (SEDE) to make it a full committee, increasing its legislative, oversight and institutional powers.
- The EEAS has been restructured since 2022 and a defence policy unit has been created. The CSDP dimension was strengthened with a Security and Defence Partnerships unit, and an integrated and strategic planning unit for civilian and military missions.
- In 2024, the EU Ministers of Defence adopted the EDA's new long-term review, which expanded the EDA's core tasks, with a stronger focus on supporting member states through the full military capability development cycle. In October 2025, the European Council called for the EDA to be strengthened further so that it can fully exercise its role in the fields of defence capability development, research and acquisition.

46 Taken together, these developments demonstrate that the EU increasingly considers defence as a distinct policy area. Consequently, EU institutions have established dedicated governance structures, reinforced political oversight, and expanded parliamentary scrutiny. This is a significant shift from the previous approach, under which defence was primarily treated as a component of external action.

47 Council decisions in the field of defence are generally adopted unanimously, allowing any member state to block or limit action at EU level (paragraph *22*). Nevertheless, both the European Parliament[55] and several EU member states[56] have advocated for a broader use of qualified majority voting, arguing that such a shift would strengthen the EU's capacity to respond to geopolitical challenges. In a context of growing geopolitical urgency following Russia's war of aggression against Ukraine, member states and EU institutions have increasingly explored treaty-based flexibilities to facilitate decision-making while preserving political unity (*Box 4*).

## Box 4

### Decision-making flexibilities provided for in the Treaties

Article 31(1) TEU allows a member state to abstain from a vote and qualify its abstention through a formal declaration ("constructive abstention"). This mechanism means that a decision can still be adopted without requiring the abstaining state to apply it. Since February 2022, this provision has been used in the context of decisions related to EU support to Ukraine, including the establishment of the EUMAM Ukraine.

Flexibility has also emerged through the increasing use of the TFEU legal bases for defence industry policy initiatives, such as ASAP, the EDIRPA and the EDIP, which have been adopted under internal market provisions and are therefore subject to qualified majority voting rather than the requirement for unanimity that generally applies under the CSDP framework.

Article 20 TEU allows a group of member states to proceed when unanimity cannot be reached. In this case, a decision authorising enhanced cooperation will be adopted by the Council as a last resort. Council Decision (EU) 2026/258 of 29 January 2026 authorised enhanced cooperation for the establishment of a €90 billion loan to Ukraine, allowing 24 member states to proceed without the participation of the 3 others (Hungary, Slovakia and Czechia), which opted out. However, the practical mobilisation of EU budget guarantees and any amendment to the MFF Regulation necessary to provide budgetary backing were separate steps governed by the MFF procedure, which requires unanimity in the Council.

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55 European Parliament resolution of 28 February 2024,paragraph 21.

56 Joint article by the foreign ministers of Belgium, Germany, Luxembourg, the Netherlands, Romania, Slovenia and Spain: "It's time for more majority decision-making in EU foreign policy", Politico EU, 12 June 2023.

## The development of a defence partnership with Ukraine and closer links with NATO and other partners

**48** Defence cooperation between the EU and Ukraine has intensified significantly since Russia's full-scale invasion of Ukraine. It consists of military support for the Ukrainian armed forces, joint procurement by member states for Ukraine under the EDIRPA and the EDIP, and the delivery of ammunition and missiles, financed through the EPF (***Box 2***). It also incorporates training for Ukrainian soldiers through the EUMAM Ukraine (***Box 5***), and the possibility for Ukraine's defence industry to participate in the EDF, the EDIP (including its dedicated Ukraine Support Instrument) and SAFE projects. These successive steps resulted in formalising a new framework for long-term security cooperation, namely the Joint Security Commitments, signed between the EU and Ukraine on 27 June 2024.

**49** In November 2025, the Council and the European Parliament agreed that Ukrainian companies would be able to participate in EDF projects and receive funding once the EDF association agreement enters into force. The EU Defence Industry Transformation Roadmap (published in November 2025 – ***Figure 2***) describes how to further leverage the lessons learned from Ukraine's wartime experiences, particularly by strengthening the role of the EU Defence Innovation Office in Kyiv and by monitoring military technological developments and innovation, including through BraveTech EU. BraveTech EU is expected to accelerate the development, testing and deployment of advanced defence solutions, fostering direct collaboration between Ukrainian and EU companies.

### Box 5

### EUMAM Ukraine

The EUMAM Ukraine aims to strengthen the capacity of the Ukrainian armed forces to defend Ukraine's territorial integrity. All mission activities are located on EU soil. So far, 24 EU member states have offered training modules and personnel. The mission has expanded significantly since its launch in 2022. By July 2026, more than 95 000 Ukrainian soldiers had been trained, compared to around 75 000 by early 2025. The mission is financed through the EPF (***Box 2***) which also supports the provision of lethal and non-lethal equipment used for training. As of November 2025, funding allocated under the EPF amounted to approximately €610 million, including €435 million for common costs and €175 million for equipment.

*Source*: EU Military Assistance Mission in support of Ukraine (EEAS) and EU military support for Ukraine, (Council).

**50** The White Paper for European Defence – Readiness 2030 considers Ukraine as a strategic partner and calls for an integration of the respective defence industries. Ukraine's status as an EU candidate country potentially embeds defence cooperation in a longer-term perspective. The relationship between the EU and Ukraine is not one-way, but is rather a form of strategic cooperation that enables the EDTIB to expand through joint production, research and innovation. While providing significant opportunities for capability development, this cooperation also tests the EU's ability to align on long-term strategic objectives.

**51** The EU and NATO share common security challenges. As emphasised in the White Paper for European Defence – Readiness 2030, "EU-NATO cooperation is an indispensable pillar for the development of the EU's security and defence dimension"[57]. To fulfil its tasks, NATO maintains a full-spectrum deterrence and defence posture, including nuclear, conventional and ballistic missile defence capabilities. It has a clear political-military chain of command[58], supported by a structure composed of permanent multinational headquarters at strategic, operational and tactical levels.

**52** Relations between the EU and NATO were formalised in 2001 and are built on three joint declarations (2016, 2018 and 2023). Cooperation between both organisations in the form of structured dialogues covers a wide range of issues, such as resilience, emerging and disruptive technologies, the defence industry and military mobility[59]. The structured dialogue on military mobility has been in place since 2018 and is often quoted as a successful example of the cooperation between EU and NATO[60]. Both organisations also regularly coordinate on matters relating to Ukraine.

**53** Cooperation between NATO and the EU with regard to military support for Ukraine has deepened significantly. In addition, in January 2023 both organisations reaffirmed their joint commitment to strengthening and expanding their cooperation. In June 2025, NATO allies committed to investing more in defence (paragraph ***33*** and ***Figure 4***).

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[57] White Paper for European Defence – Readiness 2030, European Commission, March 2025, p. 18.

[58] Richard D. Hooker, Jr., "A new NATO command structure", Atlantic Council, May 2024.

[59] Eleventh progress report on the implementation of the common set of proposals endorsed by EU and NATO Councils on 6 December 2016 and 5 December 2017.

[60] Sebastian Clapp, Monika Kiss and Mathias Gullentops, "Military mobility", EPRS, July 2025.

54 The EU has also been working on greater cooperation with selected partners, including through security and defence partnerships, 12 of which had been concluded by late March 2026[61]. While not defence agreements as such, these partnerships establish regular consultation and structured dialogues between these partner countries and the EU on a wide range of defence issues, including military mobility, hybrid and cyber threats and maritime security.

# Challenges and opportunities arising from the evolving EU defence policy

## Developing defence capabilities

### Watershed moment for the EDTIB

55 The post-2022 EU policy agenda represents a launchpad for the EDTIB. One key factor is the notable increase in defence spending across member states (paragraph ***32***). This surge in demand creates a structural opening for the European defence industry to expand its production capacity, increase investment in research and development and reduce strategic dependencies on non-European suppliers. Moreover, integrating defence and dual-use aspects into other areas such as artificial intelligence and quantum technologies has the potential to boost EU progress and reduce dependencies on non-EU countries. Recent conflicts in the Middle East have raised concerns about the United States' capacity to supply weapons to EU member states and Ukraine in a timely manner, given the significant drawdown of its own stockpiles. This could trigger the EU to reduce its reliance on non-EU suppliers, particularly those based in the US[62].

56 In addition to member states' increasing expenditure on defence, EU funding is made available through different instruments (paragraph ***36***) to incentivise cross-border cooperation and collaborative procurement between member states' national defence industries, encouraging them to function increasingly as a coherent, interoperable whole

[61] Ghana (24 March 2026), Australia (18 March 2026), Iceland (18 March 2026), India (27 January 2026), Canada (23 June 2025), United Kingdom (19 May 2025), Albania (18 December 2024), North Macedonia (19 November 2024), South Korea (4 November 2024), Japan (1 November 2024), Norway (28 May 2024), Moldova (21 May 2024).

[62] Luigi Scazzieri and Giuseppe Spatafora, Assessing the damage: What the Iran war really means for Europe's defence, European Union Institute for Security Studies, 9 April 2026.

(EDTIB integration). For the first time, EDTIB development and integration is a core objective of the European industrial and security strategic framework.

### Ambitious goal to achieve defence readiness by 2030

**57** Despite ambitious EU plans (paragraph ***27-31***), achieving the goal of defence readiness by 2030 is challenging. While acknowledging that the EU can make substantial progress towards this goal by 2030 (as demonstrated by the increased spending on defence and the rapid expansion of ammunition production), think-tanks and defence analysts consistently highlight ongoing major constraints: fragmented national systems, industrial bottlenecks, slow political coordination and continued reliance on the United States. While the EU and its member states may gradually become stronger players within NATO, achieving strategic autonomy and the ability to independently sustain high-intensity military operations by 2030 will be challenging[63]. The annual defence readiness report, due in October 2026, will provide the first set of information on progress and the current state of play.

**58** Although defence budgets have risen, these increases may nonetheless still be insufficient to achieve the desired goals. For example, in an area such as military mobility, where an assessment of capability gaps has now been carried out, available EU funding remains limited in relation to identified needs. According to Commissioner Kubilius's statement in March 2025[64], investment requirements for adapting transport infrastructure to military standards amount to around €70 billion – while only €1.7 billion was allocated under the CEF for 2021–2027, and the proposed budget for 2028–2034 is €17.7 billion. In our opinion on the EDIP, we highlighted the risk that the proposed budget of €1.5 billion may not be commensurate with the proposal's objectives.

**59** EU preference clauses (paragraph ***40***) aim to reduce strategic dependencies and build long-term industrial resilience within the EDTIB. Yet, as the 2024 Coordinated Annual Review on Defence report observed, many member states turned to non-European manufacturers in 2022–2023 to rapidly address capability gaps because the EDTIB was perceived as lacking in capacity and had longer lead times. Strict sourcing requirements can delay procurement processes and increase costs precisely when operational readiness is most urgent. Off-the-shelf acquisitions from non-European suppliers can deliver faster and at a lower cost in the short term. However, they can also have a negative long-term impact on the overall coherence and future developments of EU armed forces, replicating interoperability problems, and creating dependency and security of supply risks. The core

[63] Progress and Shortfalls in Europe's Defence: An Assessment, International Institute for Strategic Studies, September 2025.

[64] EPRS briefing, Military mobility, July 2025.

challenge, as the CARD report underlines, is striking the right balance between short-term operational priorities and long-term strategic investments.

### Lack of a harmonised EU capability development planning process

**60** According to the EDA, capability development planning is a process led by the member states to establish the necessary military forces and equipment to meet their objectives or to counteract threats. The EU does not have a common fully fledged planning process beyond CSDP missions and operations, but several coordination tools are managed at intergovernmental level to facilitate collaborative capability development between the member states (***Box 6***).

#### Box 6

#### Capability development planning tools relevant for the EU

Coordinated by the EUMS, the Capability Development Mechanism (CDM) was established in 2003 as a military-driven process to identify the military requirements necessary to meet the EU's needs for CSDP missions and operations. The CDM is undergoing a revision to develop the EU Defence Capability Planning Process, intended to become the EU's standard framework for capability planning. It aims to support identification of military capability shortfalls beyond the CSDP focus, covering member states' most urgent needs for the full spectrum of operations.

The EDA has been producing and updating a capability development plan since 2008, in close collaboration with the member states and with contributions from the European Union Military Committee and the EUMS. The plan provides a picture of European military capabilities and helps member state defence planners to identify priorities and opportunities for cooperation.

Launched in 2017, the Coordinated Annual Review on Defence is a two-year cycle that provides member states with an overview and analysis of the EU defence landscape, and proposes recommendations for collaborative opportunities in capability development and acquisition. It is conducted by the EDA, in cooperation with the EEAS and the member states.

NATO's defence planning process is a structured, recurring process, based on common goals and operational scenarios to determine and allocate the capabilities that the allies require. This process applies to EU member states that are also NATO allies.

**61** The 2023 update of the capability development plan identified 22 key priorities. They range from "traditional" gaps in strategic enablers (such as air-to air refuelling, command and control) for which dependence on non-EU suppliers is substantial, to newly identified gaps evidenced by warfare conditions observed in Ukraine (such as low-cost drones and air defence systems).

**62** Differently from the NATO top-down planning process, capability planning in the EU is neither cyclical nor linear, but largely follows a bottom-up logic, with member states identifying their own needs. Experts have noted that no publicly available document fully explains the process[65], and that defence planning had remained stuck at a national, rather than at a European level[66]. This can lead to fragmented investments, duplication or ongoing capability gaps. The challenge therefore lies in steering national spending towards collectively agreed priorities, and ensuring that resources are directed towards filling the most critical gaps for European defence readiness as a whole. In our 2019 review on EU defence, we highlighted the lack of an effective EU planning process as a performance risk associated with EU defence programmes.

**63** The defence readiness roadmap 2030 mentions nine "initial priority capability areas". It also acknowledges the need for a more systemic approach that would successfully turn shared priorities into coordinated national decisions and industrial output. To that end, it states that the EUMS is carrying out a classified overview to provide insights on capability shortfalls, which will be updated on an annual basis. This will feed into the EDA's existing defence planning frameworks such as the coordinated annual review on defence[67]. At the time of writing, this new process had not yet been formalised.

## Challenges linked to funding

### Increased budgets within a limited timeframe

**64** While increased funding may present opportunities for industry, it also carries risks. Member states are rapidly boosting their defence spending to meet targets set by organisations like NATO (***Figure 4***), in addition to their own national benchmarks. However, these input-focused targets lack performance requirements and do not align with the

[65] European capability development planning, EPRS, March 2024.

[66] The Coordination problem in European Defence planning, Egmont Royal Institute for International Relations, 10 November 2021.

[67] The EU's Defence Readiness 2030 Roadmap: Ambition and constraints, Centre for European Reform.

principles of economy, efficiency, or effectiveness[68]. This approach can lead to higher expenditure that may only have a limited impact on the capability gaps that exist. In the current, rapidly evolving security context, it may also prioritise immediate operational needs over long-term strategic investments, both moving away from collaborative, intra-EU procurement and potentially further increasing reliance on defence equipment from non-EU suppliers.

**65** As mentioned in paragraph ***42***, 18 member states activated the NEC for additional defence spending. Analysis carried out by the European Central Bank[69] shows that there is a risk it will take longer for government debt to drop due to this NEC activation. Already in 2018, we reported on the risk that convergence towards public debt targets may not be reached due to the extensive use of the Commission's discretionary powers and flexibility clauses[70].

**66** Increased defence sector budgets must be considered within the context of defence cost inflation, which frequently exceeds general inflation rates. Even significant increases in budgets may only yield modest gains in actual capability improvements[71]. The comparatively higher inflation rate is a long-term trend, characteristic of the defence sector, with its roots in technological competition which is highly reliant on innovation. This means that even for an increasing or constant defence budget, the relatively high inflation rate can hamper the purchasing power of the member states[72].

**67** In addition, increased budgets create certain bottlenecks that can make it difficult to use the allocated funds. Reliable access to materials, key components and skilled personnel are vital for the defence industry to absorb the increased funds. Security of supply is crucial, particularly in times of crisis[73]. Innovation depends on reliable access to

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68 Is EU defence ready to secure peace? ECA Journal 02/2025 (pp. 57-62).

69 Medium-term fiscal-structural plans under the revised Stability and Growth Pact, European Central Bank, March 2025.

70 Special report 18/2018: "Is the main objective of the preventive arm of the Stability and Growth Pact delivered?"

71 NATO's new spending target: challenges and risks associated with a political signal, Stockholm International Peace Research Institute.

72 C(2024) 4822, Commission staff working document for a European Defence Industry Programme.

73 Guidance note - Security of supply, European Defence Agency.

materials and components for the industry[74]. Furthermore, the defence industry struggles to both attract and retain qualified staff, facing fierce competition for talent from the civilian sector. Security clearance procedures – such as citizenship requirements – not only restrict movement within the EU but also hinder access to global talent pools[75]. Unless these structural conditions are met, allocated funds might not translate into expenditure.

## Financial implications of EU loans

**68** The EU is increasingly using loans backed by the EU budget. In the field of defence, there is the SAFE instrument of €150 billion (paragraph ***38***) and the €90 billion loan to support Ukraine (of which €60 billion is for defence) (paragraph ***48***). For such loans, the Commission borrows the necessary funds on the capital markets. We have repeatedly warned that, in the absence of provisioning, any losses relating to the loans will have to be covered by the EU budget margin known as "headroom"[76]. This could potentially result in a call for additional contributions from member states. Moreover, loans that are backed by this budget margin are continuing to increase, putting yet more pressure on the headroom. In this context, in our opinion 04/2026 we noted that the Commission may need to reassess whether the newly proposed own resources ceiling of 1.8 % in the framework of the new 2028–2034 MFF would still be adequate.

## Multiple funding instruments

**69** For the 2028–2034 period, the Commission presented a budget of around €125 billion within the proposed ECF for the resilience and security, defence industry, and space policy window. Even in the absence of an indicative breakdown by sub-policy and sub-component, this clearly represents a significant increase which confirms the EU's strategic direction in the field of defence. The ECF will group the four instruments (ASAP, the EDF, the EDIRPA and part of the EDIP) under one programme, thereby covering all the investment cycle phases.

**70** As we noted in our opinion 01/2026, several of our audits identified shortcomings in the coordination between EU and national funding streams. Under the current proposal, the ECF would coexist with other EU instruments supporting the same sectors and similar types of investment, such as the European Fund and the CEF. We noted that some investments, such as in military mobility, are also eligible for funding under other EU

[74] COM(2025) 845, Commission Communication on EU Defence Industry Transformation Roadmap.

[75] Ibid.

[76] Opinion 07/2026 concerning the proposal for a Regulation of the European Parliament and of the Council establishing Global Europe, paragraph 66.

instruments. It would therefore remain a challenge to properly target the EU funds, ensure complementarity and avoid overlaps with national funding instruments.

### New funding mechanisms

**71** The Financial Regulation provides for the implementation of EU funding instruments using a delivery model known as financing not linked to costs (FNLC)[77], which was initially rolled out on a large scale in 2021 through the RRF, and has since also been applied in the EDIRPA and the EDIP. ASAP uses lump sums based on cost estimates, which is, in essence, similar to the FNLC approach. According to the Commission's proposal for the 2028–2034 MFF, the ECF (paragraph ***39***) will also rely heavily on FNLC. FNLC ties payments to the fulfilment of specific conditions or the delivery of results, rather than to actual costs incurred. Our review on lessons to be learned from the RRF revealed weaknesses and challenges associated with the introduction of FNLC, including the absence of clear targets and milestones, thus limiting the programme's "performance-based approach", and leading to an increased risk of double funding. Furthermore, the fact that the Commission had not collected information on actual costs meant that efficiency could not be measured in the RRF. The transparency and accountability of programmes such as the EDIP and the EDIRPA will thus depend on how FNLC is operationalised. The above-mentioned concerns are extremely relevant when extending FNLC to the sensitive domain of defence, where access to evidence is restricted due to classified information. Limited information on underlying costs can also create practical challenges for verifying and confirming compliance with certain EU preference clauses (***Annex II***).

## New approaches to EU defence cooperation and preparedness

**72** New cooperation models are reshaping the EU defence landscape. PESCO was designed to enhance cross-border defence collaboration between member states (paragraph ***24***), but the Council "emphasises the need for improved project quality"[78], and experts note that PESCO could be more useful and visible[79]. In November 2024[80], to reinforce the central role of PESCO, the Council recommended strengthening links between PESCO and the instruments in support of the EDTIB (for example, the EDF and the

[77] Article 125(1) of Regulation (EU, Euratom) 2024/2509 (Financial Regulation).

[78] Council Conclusions on the PESCO Strategic Review, 18 November 2024.

[79] Maxime Cordet, EU Defence Series: PESCO Must Step Up, International Centre for Defence and Security, 7 March 2025.

[80] Council Conclusions on the PESCO Strategic Review, 18 November 2024.

EDIP). The 2025 PESCO Projects' Progress Report highlights how these projects may contribute to the implementation of the defence readiness agenda. In parallel, defence clusters outside the EU framework have gained momentum, allowing groups of states to pool resources and develop specific capabilities (***Box 7***). In the Defence Readiness Roadmap 2030, the Commission and the HR/VP also call on member states to form capability coalitions to close the existing critical capability gaps. In July 2026, following a call for expression of interest to member states, the Commission proposed five large-scale industrial projects (European defence projects of common interest) that focus on the following priority areas: drones and counter-drone systems; maritime and seabed defence; space; air and missile defence; as well as strengthening security along the EU's Eastern Flank.

### Box 7

#### Examples of member states cooperating in small groups

PL-DE-NL military transport corridor: a trilateral initiative launched in January 2024 between Poland, Germany, and the Netherlands, designed to improve the rapid movement of NATO and EU forces across Europe. In 2025, it served as a basis for a broader regional cooperation format involving additional countries[81] through the Central Northern European Military Mobility Area.

The armoured vehicle and manoeuvrability coalition for Ukraine: launched by Poland and Germany in March 2024, with the participation of multiple NATO and EU countries. This coalition focuses on ensuring maintenance and repair, training personnel and developing operational doctrine for the use of armoured vehicles.

Belgian-Dutch naval cooperation, encompassing coordinated procurement, joint training and maintenance, and shared command. One of their recent cooperation projects (2023) involves the joint acquisition of anti-submarine warfare frigates[82] [83].

[81] Belgium, Lithuania, Luxembourg, Slovakia, Czechia.

[82] What Are the Main Drivers of Member States' Defence Procurement Practices? The Dutch Case, ARES, October 2024.

[83] The power of the few: How clusters can strengthen European defence, European Union Institute for Security Studies, 20 February 2026.

**73** The EU has also been using innovative ways to support Ukraine. Through its off-budget instrument, the EPF, the EU has delivered military aid to Ukraine while respecting Article 41(2) TEU (paragraph ***23***). In addition, the military training mission EUMAM Ukraine (***Box 5***) is the first military CSDP training mission on EU soil and serves as a potential model for future CSDP missions[84] [85]. More recently, under the EDIP, the EU established a dedicated Ukraine Support Instrument designed to support the gradual integration of Ukraine's defence technological and industrial base into the European defence industry ecosystem.

**74** Partnerships with NATO and coordination with partners – especially through security and defence partnerships (paragraphs ***51***-***54***) – further expand the EU's strategic reach. Growing uncertainty over US security commitments since 2024, including signals of conditional NATO support and increased burden shifting, has bolstered the EU's drive to strengthen strategic autonomy[86]. This increased ambition in defence and the rapid scaling up of capabilities could reinforce the EU-NATO relationship. NATO defence spending targets are driving significant increases in member states' budgets, while EU initiatives in defence and industrial capacity support the fulfilment of NATO capability goals[87]. In particular, NATO's updated defence spending targets (paragraph ***33***) align closely with the EU's increased emphasis on defence preparedness.

**75** Modern defence challenges are no longer confined to the military domain. The EU increasingly welcomes a "whole-of-society approach", integrating defence with civil protection, cybersecurity, space, dual-use technologies and critical infrastructure (paragraphs ***16*** and ***30***). The preparedness union strategy (2025) explicitly promotes resilience by involving citizens, communities, civil society organisations, academia and the private sector – alongside traditional defence players. This approach creates opportunities to foster innovation, industrial development and comprehensive security, but is also challenging because of fragmentation across member states, uneven resilience capacities, and the need for complex coordination across policy areas, players and levels of governance[88].

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[84] Davide Genini, How the war in Ukraine has transformed the EU's Common Foreign and Security Policy, *Yearbook of European Law*, 2025.

[85] Into the breach! EU military CSDP missions and operations, European Union Institute for Security Studies, 7 March 2024.

[86] European defence, strategic autonomy and NATO, EPRS, February 2024.

[87] NATO Defense Spending Tracker, Atlantic Council.

[88] Horan H., Vandoren P., Fiott D. and Feldhusen J., Assessing Europe's Resilience and Preparedness in an Era of Strategic Risks, The Hague Centre for Strategic Studies, December 2025.

# Complex governance and accountability arrangements

## Evolving institutional framework and governance

**76** The EU's defence policy is characterised by a complex institutional framework[89] and a multi-level governance structure, combining EU-level initiatives with predominantly national decision-making (paragraphs ***20**-**22*** and ***47***). This hybrid system, involving both supranational and intergovernmental elements, creates significant coordination challenges across the different players, and increases the risk of overlapping responsibilities and an unclear division of competences. As highlighted on several occasions by the European Parliament, ensuring coherence and clear governance arrangements remains a key challenge[90].

**77** In our special report on military mobility, we observed similar issues and recommended improving the governance arrangements for military mobility in the EU by streamlining coordination between the EU, member states and other stakeholders. We also recommended enhancing existing synergies and interaction between the EDA, PESCO projects, the Commission and the EEAS to minimise the risk of overlaps. In the framework of the ECF, the Commission proposes to establish several advisory bodies but has not further clarified their responsibilities or the coordination between them. In our opinion on the ECF, we highlighted the risk for complex governance and accountability.

**78** The rapid expansion of EU defence initiatives since 2021 has significantly increased the responsibilities of the Commission's DG DEFIS, which manages the aforementioned key EU defence instruments (the EDF, ASAP, the EDIRPA, SAFE and the EDIP). This expanding and diverse portfolio requires the Commission to handle complex programme management, coordination with member states and industry, and evolving industrial policy objectives. The accumulation of emergency and medium- and long-term instruments increases operational complexity. It may also strain coordination mechanisms and established procedures for financial control and performance monitoring, especially given DG DEFIS's limited staff resources. In January 2026[91], with 286 staff (209 in 2023, of whom 48 % were non-permanent[92]), DG DEFIS represented 0.9 % of the Commission's total staff (0.6 %

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[89] Review 09/2019: "European Defence".

[90] European Parliament resolution of 12 March 2025 on the White Paper on the future of European defence; European Parliament report on the implementation of the CSDP.

[91] Key Figures on Commission Staff, 1 January 2026.

[92] Special report 24/2024: "EU Civil service – A flexible employment framework, insufficiently used to improve workforce management".

in 2023[93]), far less than most other directorates. In our 2023 special report on the preparatory action on defence research, we found that, in its analysis of staffing needs for 2021–2027 to implement the EDF, “DG DEFIS underlined the risk of a lack of capacity to evaluate proposals properly and manage projects soundly if it does not obtain the needed posts”.

**79** Beyond DG DEFIS, many different Commission directorates-general can be involved in defence-related topics on an ad hoc basis, such as the Directorate-General for Regional and Urban Policy (DG REGIO) when cohesion funds are redirected to defence. In the field of military mobility there are three Directorates-General[94], as well as the Commission’s Secretariat-General and the CINEA executive agency. Due to the blurred boundaries between security and defence, several additional directorates-general are also concerned by issues such as preparedness and cybersecurity. The Commission’s capacity to deliver effectively consequently depends on its ability to prioritise, streamline processes and ensure coherence across instruments, as well as delegating where necessary (for example, through indirect management). As we indicated in our special report on the preparatory action on defence research, “The use of indirect management, e.g. by EDA and OCCAR, which has already been tested, could help alleviate the resource constraints faced by DG DEFIS.” In 2025, the Commission entrusted the EDA with indirect management for over 40 EDF projects worth around €300 million[95].

## Accountability and transparency

**80** The European Parliament oversees the spending of the EU budget and is one of the co-legislators with regard to market-oriented development of defence (industries) at EU level, along with the Council. However, it has no legislative power over the CSDP and no formal oversight for off-budget instruments such as the EPF. In its annual reports on the implementation of the CSDP, the European Parliament has repeatedly called for greater parliamentary scrutiny and accountability with regard to the CSDP and the growing number of defence initiatives[96].

[93] HR key figures, European Commission, 2023.

[94] Directorate-General for Mobility and Transport (DG MOVE), Taxation and Customs Union (DG TAXUD), Communications Networks and Content and Technology (DG Connect).

[95] Pioneering defence cooperation at EU level: the European Defence Agency, ECA Journal 02/2025 (pp. 30-34).

[96] 2018 and 2024 annual reports on the implementation of the CSDP, European Parliament.

**81** EU defence policy includes complex financial accountability arrangements that vary depending on the instrument and entity involved (*Table 1*). The ECA's mandate pertains specifically to EU funds. Where defence is financed through alternative channels, different audit arrangements apply.

## Table 1 – Current external audit arrangements in the field of defence

*Audits*
*Does not audit*

| | ECA | College of auditors | External auditors | National audit institutions |
|---|---|---|---|---|
| EU-funded instruments (EDF, ASAP, EDIRPA, EDIP, cohesion funds, RRF, CEF, etc.) and loans guaranteed by the EU budget (e.g. SAFE) | Audits | Does not audit | Does not audit | Does not audit |
| EDA | Does not audit | Audits | Does not audit | Does not audit |
| EU funds managed by the EDA | Audits | Does not audit | Does not audit | Does not audit |
| EIB | Does not audit | Does not audit | Audits | Does not audit |
| Operations funded or guaranteed by the EU budget, managed by the EIB | Audits | Does not audit | Does not audit | Does not audit |
| European Peace Facility | Does not audit | Audits | Does not audit | Does not audit |
| Civilian CSDP missions | Audits | Does not audit | Does not audit | Does not audit |
| Military CSDP operations, common costs | Does not audit | Audits | Does not audit | Does not audit |
| Military CSDP operations, costs borne by individual member states | Does not audit | Does not audit | Does not audit | Audits |

**ASAP** - Act in Support of Ammunition Production, **CEF** - Connecting Europe Facility, **CSDP** - common security and defence policy, **EDA** - European Defence Agency, **EDF** - European Defence Fund, **EDIP** - European Defence Industry Programme, **EDIRPA** - European defence industry reinforcement through common procurement Act, **EIB** - European Investment Bank, **RRF** - Recovery and Resilience Facility, **SAFE** - Security Action for Europe

*Source*: ECA.

**82** The ECA does not have an audit mandate for all the bodies and instruments that are involved with EU defence policy. This limits our ability to fully perform the role of external auditor of the EU[97]. As we have noted previously, we consider that the ECA should be appointed to act as the external auditor of all bodies set up to implement EU policies[98], including intergovernmental structures that are of key relevance to the functioning of the EU[99].

**83** In the security and defence sector, access to information may be constrained by confidentiality issues, national security laws, or rules on classified information. While international auditing standards grant auditors full and unrestricted access to relevant information, documents and staff necessary for the performance of their duties, working with classified information may affect the outcome of an audit. Where a significant share of the audited material is classified, producing a meaningful report that is suitable for publication becomes inherently difficult. While security concerns and related appropriate handling of classified information are of utmost importance in the field of defence, it should be noted that the inability to refer to concrete information or illustrative examples restricts clarity and limits the precision with which findings can be communicated[100] [101].

This review was adopted by Chamber III, headed by Mr George-Marius Hyzler, Member of the Court of Auditors, in Luxembourg at its meeting of 14 July 2026.

*For the Court of Auditors*

Tony Murphy
*President*

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[97] Review 03/2025: “Opportunities for the post-2027 Multiannual Financial Framework”.

[98] Review 09/2019: “European Defence”.

[99] ECA 2026-2030 strategy.

[100] Hervé-Adrien Metzger - Setting the Scene.

[101] Lene Schmidt, Danish National Audit Office, “How to reveal the big picture when almost every detail is classified?”, ECA Journal 02/2025 (pp. 63-66).

# Annexes

## Annex I – EDIP – an integrated toolbox for EU defence

### Regulatory tools

- The Structure for European Armament Programme provides a voluntary legal framework for member states and associated countries to cooperate across the defence equipment lifecycle. These structures are legal entities eligible for EDIP support.
- European defence projects of common interest are collaborative industrial projects designed to strengthen the EDTIB and develop critical capabilities.

### Financial tools

- The Fund to Accelerate defence Supply chain Transformation aims to de-risk investment and expand manufacturing capacity, particularly for SMEs and small mid-caps.
- The EDIP extends the logic of ASAP to broader segments of defence industry production and of the EDIRPA through common procurement actions. Common procurement actions aim to reduce the fragmentation of the European defence market and to increase interoperability by incentivising member states and Norway to jointly procure European defence products. The EDIP dedicates €240 million to support these common procurement actions[1].
- The Ukraine Support Instrument, with a specific budget of €300 million, contributes to the recovery, reconstruction and modernisation of the Ukrainian defence technological and industrial base.

[1] Common procurement actions, European Commission, March 2026.

## Coordination tools (governance, cooperation and market facilitation)

- A defence security of supply board will support the monitoring of supply risks and coordination between member states, the Commission, the HR/VP and the EDA.
- A European military sales mechanism is designed to facilitate joint procurement and improve the availability of defence products.

By bringing together these different levers, the EDIP aims to address systemic challenges affecting the EDTIB in a more coherent and long-term manner.

# Annex II – EU preference clauses in defence funding instruments

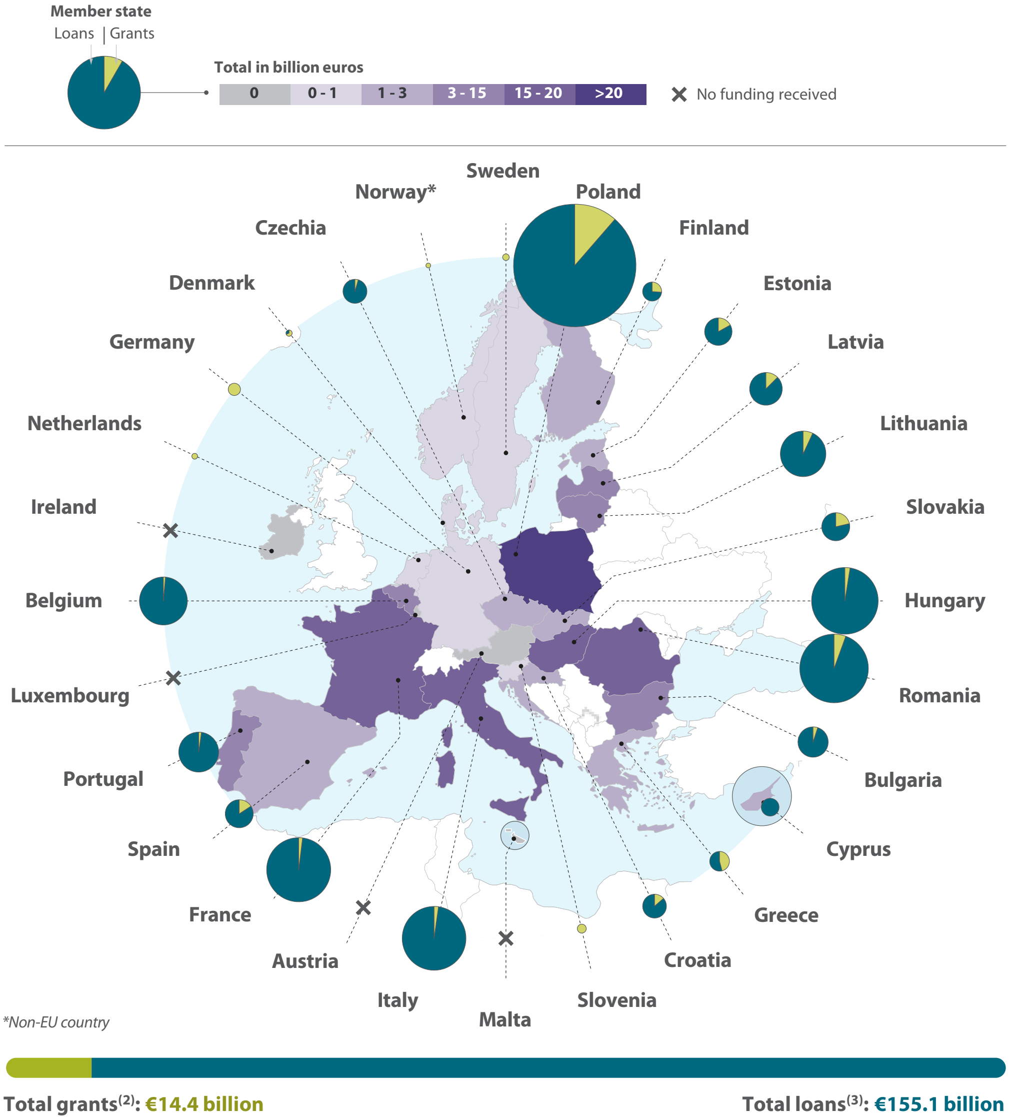
| Instrument | Eligibility conditions regarding the establishment and control of contractors | Origin of components | Control over design and intellectual property |
|---|---|---|---|
| EDF | In the EU, Iceland, Liechtenstein, Norway or Ukraine<br><br>Participation of third-country controlled entities possible but under strict conditions | | Results must be free of third- country restrictions |
| ASAP | In the EU, Iceland, Liechtenstein or Norway<br><br>Participation of third-country controlled entities possible but under strict conditions | | No support for products subject to third-country restrictions |
| EDIRPA | In the EU, Iceland, Liechtenstein or Norway<br><br>Participation of third- country controlled entities possible but under strict conditions | Cost of components originating outside the EU, Iceland, Liechtenstein or Norway will be maximum 35 % | |
| SAFE* | In the EU, Iceland, Liechtenstein, Norway or Ukraine or in third countries based on agreements with the EU<br><br>Participation of third- country controlled entities possible but under strict conditions | Cost of components originating outside the EU, Iceland, Liechtenstein, Norway or Ukraine will be maximum 35 % | Freedom of design is only required for specific products |
| EDIP | In the EU, Iceland, Liechtenstein, Norway or Ukraine<br><br>Participation of third- country controlled entities possible but under strict conditions | Cost of components originating outside the EU, Iceland, Liechtenstein, Norway or Ukraine will be maximum 35 % | Freedom of design is required (derogation for ammunition and missiles until 2033) |

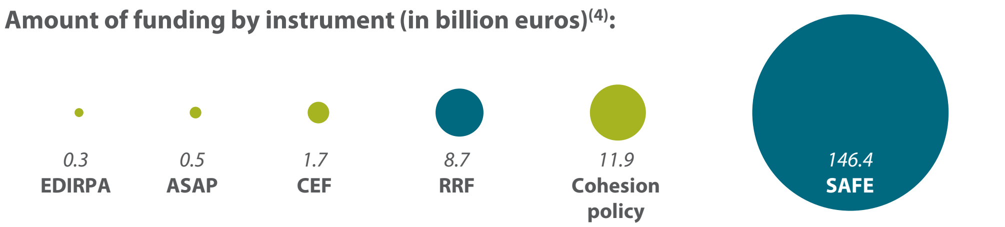
| Instrument | Eligibility conditions regarding the establishment and control of contractors | Origin of components | Control over design and intellectual property |
|---|---|---|---|
| ECF | General article on “EU preference” that allows eligibility conditions to be set, EU-origin thresholds to be defined and freedom of design to be required for each work programme | | |

* Canada is the first non-EU country to sign a bilateral agreement with the EU on the participation of Canadian companies and products originating from Canada in procurement under the SAFE instrument.

*Source:* ECA, based on Regulation (EU) 2021/697 (EDF), Regulation (EU) 2023/1525 (ASAP), Regulation (EU) 2023/2418 (EDIRPA), Council Regulation (EU) 2025/1106 (SAFE), Regulation (EU) 2025/2643 (EDIP) and Commission proposal COM/2025/555 (ECF).

# Annex III – Overview of EU funding allocated to defence during the 2021–2027 period by country(1) and by funding instrument as of April 2026




**ASAP** - Act in Support of Ammunition Production, **CEF** – Connecting Europe Facility, **EDIRPA** - European defence industry reinforcement through common procurement Act, **RRF** – Recovery and Resilience Facility, **SAFE** - Security Action for Europe

*Map: Administrative boundaries: © EuroGeographics © OpenStreetMap | Cartography: Eurostat – IMAGE, 04/2026*
*The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the European Union.*

([1]) The logic behind the EU defence programmes is to provide funds to strengthen the EDTIB. The funding should not as such be seen as support to individual member states.
([2]) Grants:
- ASAP, EDIRPA, and CEF funds are assigned to member states according to beneficiary allocation.
- Cohesion policy funds are allocated directly to member states.

EDIRPA and several ASAP projects are carried out by consortia involving partners from several member states. Due to the absence of data, funding is featured as allocated to the country of the coordinator and does not take into account the fact that other project participants may be located in other member states.
([3]) Loans:
- Data may be incomplete as only a few member states have published the amount of RRF funds that have been redirected for defence purposes. This means that other member states may have allocated funds for defence, without such information being made public. It is also impossible to distinguish between defence and non-defence funds allocated for dual-use purposes.
- In the case of Belgium, the figure for the RRF includes a small proportion of grants (<1 %).
- The RRF figures for Poland and Spain include space activities that could be counted as dual-use and not necessarily pure defence spending.
- For SAFE, the figures are based on what member states have requested, which may differ from the definitive allocation. For Hungary, the Commission has not yet finalised the investment plan assessment process, and the figure should thus be viewed as a maximum.

([4]) Data on EDF funding by country is not included because it is not publicly available.

*Source:* ECA, based on Commission data for: ASAP, EDIRPA, CEF, SAFE, cohesion policy, RRF and special report 04/2025.

# Annex IV – Relevant ECA publications

| Report code | Title |
|---|---|
| Special report 18/2018 | Is the main objective of the preventive arm of the Stability and Growth Pact delivered? |
| Review 09/2019 | European Defence |
| Special report 10/2023 | The Preparatory action on defence research – Some lessons learned, but value as a testbed for increasing EU defence spending reduced due to time constraints and limited results |
| Opinion 02/2024 | Opinion concerning the proposal for a Regulation of the European Parliament and of the Council establishing the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products (EDIP) |
| Special report 24/2024 | EU Civil service – A flexible employment framework, insufficiently used to improve workforce management |
| Review 02/2025 | Performance-orientation, accountability and transparency – lessons to be learned from the weaknesses of the RRF |
| Review 03/2025 | Opportunities for the post-2027 Multiannual Financial Framework |
| Special report 04/2025 | EU military mobility – Full speed not reached due to design weaknesses and obstacles en route |
| Opinion 01/2026 | Opinion concerning the proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund (“the ECF”), including the specific programme for defence research and innovation activities, repealing Regulations (EU) 2021/522, (EU) 2021/694, (EU) 2021/697, (EU) 2021/783, repealing provisions of Regulations (EU) 2021/696 , (EU) 2023/588, (EU), and amending Regulation (EU) [EDIP] |
| Special report 04/2026 | Critical raw materials for the energy transition – Not a rock-solid policy |
| Opinion 07/2026 | Opinion concerning the proposal for a Regulation of the European Parliament and of the Council establishing Global Europe |

# Abbreviations

| Abbreviation | Definition/explanation |
|---|---|
| **ASAP** | Act in Support of Ammunition Production |
| **CEF** | Connecting Europe Facility |
| **CFSP** | Common foreign and security policy |
| **CSDP** | Common security and defence policy |
| **DG DEFIS** | Directorate-General for Defence Industry and Space |
| **ECF** | European Competitiveness Fund |
| **EDA** | European Defence Agency |
| **EDF** | European Defence Fund |
| **EDIP** | European Defence Industry Programme |
| **EDIRPA** | European defence industry reinforcement through common procurement Act |
| **EDTIB** | European defence technological and industrial base |
| **EEAS** | European External Action Service |
| **EIB** | European Investment Bank |
| **EPF** | European Peace Facility |
| **EPRS** | European Parliamentary Research Service |
| **EUMAM** | EU military assistance mission |
| **EUMS** | EU military staff |
| **FNLC** | Financing not linked to costs |
| **GDP** | Gross domestic product |
| **HR/VP** | High Representative of the Union for Foreign Affairs and Security Policy / Vice-President of the European Commission |
| **MFF** | Multiannual financial framework |
| **NATO** | North Atlantic Treaty Organization |
| **NEC** | National escape clause |
| **PESCO** | Permanent Structured Cooperation |
| **RRF** | Recovery and Resilience Facility |
| **SAFE** | Security Action for Europe |
| **SDP** | Security and defence partnership |

| | |
|---|---|
| **SME** | Small and medium-sized enterprise |
| **TEU** | Treaty on European Union |
| **TFEU** | Treaty on the Functioning of the European Union |

# Glossary

| Term | Definition/explanation |
|---|---|
| **Defence capability** | Possession of the means – such as personnel, equipment, command structure and operational readiness – necessary to meet a specific defence objective. |
| **Defence readiness** | Ability to anticipate, prepare for and respond to defence crises, including high-intensity warfare. |
| **European defence technological and industrial base** | Collective term for government, industry and research players in Europe working together to develop, produce and maintain military equipment, technologies and capabilities. |
| **Financing not linked to costs** | Funding delivery model based on the fulfilment of legal conditions or the achievement of results rather than actual spending. |
| **Headroom** | Difference between the own resources required to finance the EU budget and the own resources ceiling, which is a higher amount up to which the Commission is entitled to request funds from member states to meet additional obligations such as those arising from EU debt. |
| **Indirect management** | Method of implementing the EU budget whereby the Commission entrusts implementation tasks to other entities (such as non-EU countries and international organisations). |

# ECA team

This report was adopted by Chamber III – External action, security and justice, headed by ECA Member George-Marius Hyzler. The task was led by ECA Member Marek Opioła, supported by Kinga Wiśniewska-Danek, Head of Private Office and Bernard Witkos, Private Office Attaché; Cyril Messein, Principal Manager; Els Brems, Head of Task; Laurent Olivier and Anne Laura Juul, auditors. Laura McMillan provided linguistic support. Dunja Weibel provided graphical support.

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Russia's war of aggression against Ukraine and the deterioration in global security have triggered a shift in the EU's defence policy. Confronted with insufficient stockpiles, long manufacturing lead times, dependence on non-European suppliers, and logistical bottlenecks, both the EU and its member states have significantly increased their funding for defence. This marks a pivotal moment for the European defence technological and industrial base, to expand production capacities, foster innovation and strengthen partnerships.

This review presents the developments in the EU defence landscape from 2020 to mid-2026, with a particular focus on recent EU initiatives in the area, including financial instruments and regulatory changes. It highlights opportunities, challenges and risks associated with financial management, governance, transparency and accountability.


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