COORDINATED ANNUAL REVIEW ON DEFENCE

- REPORT 2024 -

Key Findings and Recommendations

1. This Coordinated Annual Review on Defence (CARD) report comes at a critical moment: the geopolitical environment requires Member States to boost their military capabilities, and security and defence are high on the EU's political agenda. **Now is the time to act and commit on concrete projects**, making best use of all existing EU tools.
2. The 2024 CARD report highlights very significant increases in defence spending and the growing alignment of Member States' defence planning with the 2023 EU Capability Development Priorities. **National efforts remain indispensable** and indeed foundational yet will not be sufficient: **more cooperation is needed**. Building on this momentum and on closer collaboration with NATO, defence cooperation and convergence must be accelerated at EU level to further align national efforts with agreed objectives, reduce fragmentation, and maximise synergies and efficiencies, thus strengthening Europe's security. **Defence Ministers' guidance and commitments will prove invaluable** in translating shared goals into concrete actions that deliver effective collaboration and tangible results.
3. While progressively repairing past shortcomings to address the present crisis, we need to find better ways to prepare for the future together. **Short-term operational needs and long-term priorities** must be addressed simultaneously as part of a balanced, sustainable, and comprehensive effort for capability development, innovation, and resilience. Likewise, the lessons observed in Russia's war of aggression against Ukraine clearly show that an appropriate equilibrium must be sought between investing in cutting-edge technologies and deploying cost-effective capabilities in sufficient numbers. When balancing quality, quantity, and time horizons, **our response to urgent gaps and current political imperatives should not come at the expense of robust long-term planning.** This requires us to collectively address common future requirements in a structured way, achieving synergies and concrete results in all dimensions: operational, industrial, and technological.
4. To enhance the EU's defence readiness and ability to address future conflicts, Member States should, in line with the agreed priorities, invest in land, air, and maritime **capabilities designed for high-intensity warfare**. This includes immediate efforts to replenish stockpiles, modernise ground and air defence systems, and enhance interoperability. Investments in secure and resilient **cyber defence**, **command-and-control systems**, **cyber and space situational awareness**, and **satellite communications** are equally critical.
5. With EU support, Member States should align national planning timelines and develop **multinational defence projects**, in areas like **military mobility**, **strategic enablers** and **force multipliers**. In the short term, they should capitalise on collaborative opportunities, particularly in logistics and the joint procurement of ammunition, to address swiftly **operational needs** both at the national and EU level (i.a. EU Rapid Deployment Capacity).
6. In the long term, Member States should as much as possible prioritise European **collaborative development and procurement** to bolster a strong European Defence Technological and Industrial Base (EDTIB), leveraging in a coherent way all existing and upcoming EU defence initiatives to support the research, development, and production of key capabilities. To increase **the readiness of the EDTIB and reduce over-dependencies** on **external suppliers**, Member States will need to cooperate more with one another and develop secure EU defence supply chains.
7. To sharpen **Europe's technological edge, Member States must further enhance long-term collaborative Research and Technology (R&T) efforts**, pooling resources through the European Defence Fund (EDF) and similar mechanisms to reduce financial risks and ensure technological competitiveness. This includes the harnessing of emerging disruptive technologies (EDTs) for full-spectrum operations, as well as suitable pathways for industry to collaborate on short-term innovation.
8. This report presents a unique opportunity for the Ministries of Defence (MoD) of EU Member States to emphasise their political commitment to **intergovernmental cooperation by signing letters of intent, which demonstrate the major impact such cooperation can have** in addressing national and European security needs.

EU DEFENCE COOPERATION AT A CROSSROADS

9. The report outlines the efforts of the EU and its **Member States to respond to urgent capability needs in light of the deteriorated defence and security environment**, following Russia's war of aggression against Ukraine and ongoing conflicts close to European borders. It highlights how Member States are addressing capability gaps and **shifting focus from crisis management missions and expeditionary operations to territorial defence.**

10. The report provides an **overview of the current state of European defence** in terms of overall Member States' spending and investment preferences. It emphasises the importance of aligning national efforts with EU defence objectives and priorities, strengthening coherence and convergence with ongoing work at NATO, and enhancing the EDTIB to ensure the EU's strategic autonomy and defence readiness. In addition, building on in-depth exchanges during CARD bilateral consultations, this report offers **key findings and recommendations**, as well as concrete proposals for Member States to deepen EU cooperation and bolster their capabilities, by **turning actionable collaborative opportunities into projects**.

11. Faced with momentous geopolitical shifts and serious security challenges, Member States must continue playing a **crucial role in shaping EU defence cooperation and architecture. MoDs are called upon to guide EU defence efforts** in terms of identifying capability needs, setting priorities, and establishing collaboration paths, making full use of EU frameworks and supporting instruments, such as the CARD process, the Permanent Structured Cooperation (PESCO), and the EDF. Now more than ever, **EU defence cooperation stands at a crossroads**.

THE STATUS OF EU DEFENCE

12. **SHIFT IN POSTURE.** Landscaping the status of EU defence, the 2024 CARD Aggregated Analysis offered detailed insights into Member States' defence spending, planning, and cooperation. For decades, European defence efforts were largely focused on expeditionary missions, with most Member States prioritising capabilities suited to enduring, **low-intensity conflicts** as well as intensive but short campaigns. This approach, coupled with declining budgets, left Europe unprepared for the resurgence of **protracted, high-intensity wars**, with operations spanning all domains. Stockpiles dwindled, equipment became outdated, and defence procurement remained fragmented, as Member States favoured national strategies over collaborative efforts. Years of underinvestment also translated into accumulated delays, which in turn explains why fresh money has up to now primarily been used to finalise long-delayed programmes instead of funding new cooperative projects.

13. **SUBSTANTIAL INCREASE IN SPENDING.** EU Member States' **total defence expenditure** in 2024 is projected to rise by more than 30% compared to 2021 to an estimated €326 billion[1], reaching an unprecedented **1.9% of EU GDP**, with an expected increase of more than **€100 billion in real terms between 2021 and 2027**, exceeding earlier projections. This marks an important step in addressing past and present shortfalls: Member States will soon be able to do more than closing inherited capability gaps, all the more so that the **spending has indeed been largely focused on investment**, from R&T to procurement. In that respect, Member States clearly remain **the key drivers of defence capability development**, with national budgets funding the bulk of the projects.

14. **INVESTMENT.** In 2024, **24 Member States are expected to meet the agreed target of dedicating 20% of defence spending to investment** in line with their commitment under PESCO, up from 19 in 2021. Additionally, 10 Member States are projected to allocate more than 30% of their total defence expenditure to investments. **Investments** in

[1] Expressed in 2023 Euros.

researching, developing, and procuring new defence capabilities are expected **to rise from around €59 billion in 2021 to €102 billion in 2024**.

15. **ISSUES TO CONSIDER.** Now that additional financial resources are available for defence, **several key issues** stand out, calling for national as well as joint attention and decisions: **sustaining investments**, **efficiency,** and **overall balance and effectiveness**.

16. **SUSTAINED SPENDING.** Member States have begun to repair the underspending of the past, creating a window of opportunity for **winning the future**. Yet elevating these efforts from only addressing urgent shortfalls to shaping future capabilities will depend heavily on **Member States' commitment to growing these levels of defence expenditure** further, or at least **sustaining them** in a structured way, thus ensuring the readiness and resilience of European armed forces in the years ahead. At present, the picture is a mixed one, with several Member States having committed themselves to long-term increases in defence spending, while several others are either behind EU average spending or using budgetary supplementals – instruments that may prove less enduring, thus casting doubt on the sustainability of these increases in the future.

17. **R&T AND R&D - EU SUPPORT DELIVERS.** Looking more closely to R&T and R&D, the **picture is equally mixed**. Between 2021 and 2024, defence R&D expenditure is estimated to have increased by 27% but there is a very **uneven distribution of R&D expenditure** across Member States. This is also true of R&T, as two Member States account for more than 80% of the declared R&T spending at EU level. On the other hand, the **EDF has already had an effective and noticeable impact**. Combined with other financial instruments and national funding by Member States, **total European collaborative R&T spending is projected to rise** from €484 million in 2024 to more than €600 million in 2026, a significant increase from the €359 million recorded in 2023.

18. **LACK OF COLLECTIVE EFFICIENCY.** Despite progress in R&T spending, there is still a way to go to improve the efficiency of overall defence spending, from R&D to procurement. The urge to swiftly address capability shortfalls through readily available military equipment has led to a **surge of national off-the-shelf acquisitions**, **causing a temporary slowdown of collaborative procurement**, which tends to be perceived as more complex and time-consuming. In this respect, the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA) has been set up to incentivise Member States to procure jointly.

19. **INDUSTRY**. Sustaining increased defence budgets also needs to be articulated with the strengthening of the EDTIB, which, as the March 2024 Joint Communication on a new European Defence Industrial Strategy (EDIS) notes, ultimately requires **Member States to place larger and more long-term orders**. The resulting increased visibility can help to **secure production lines and avoid over-reliance on external supply chains**. Strengthening European manufacturers and fostering cooperation on joint projects will not only bolster the EU's resilience and ability to act autonomously but also enhance its capacity to surge production and meet sudden security challenges effectively.

20. **BALANCING QUALITY, QUANTITY, & INTERCONNECTED TIME HORIZONS.** The lessons from the war in Ukraine underscore the importance of **investing in cutting-edge technologies** while ensuring that reliable, **cost-effective capabilities** are produced in **sufficient quantities** to meet the demands of sustained, high-intensity operations. The path for improving European defence also involves **balancing short-term operational priorities with long-term strategic investments**. The previous CARD reports repeatedly underscored that repairing the past and addressing the present by correcting urgent needs should not come at the expense of preparing adequately for the future through long-term gains. The partial availability of additional resources makes these two points particularly relevant: now is the time to shape the future by appropriately balancing quality, quantity, and overlapping time horizons.

21. **NATIONAL EFFORTS ESSENTIAL YET UNLIKELY TO SUFFICE.** The defence capabilities required for European security rely mostly on the investments made by **Member States**. They shoulder the **primary responsibility for funding, developing, and delivering these capabilities**, while the EU provides frameworks to facilitate and enhance cooperation, as well

as funding mechanisms designed to complement and reinforce Member States' cooperative efforts, not substitute for them. Still, maintaining a sustained level of defence spending will not be enough to reach this goal. Likewise, collaborative spending seems stable in absolute terms; its apparent decline, while true in relative terms, stems from the rapid growth of defence budgets. However, **stable collaborative efforts are not enough**: a stronger collaborative approach in addressing capability requirement is essential for Member States' armed forces to reach a higher degree of interoperability, effectiveness, and efficiency. To strengthen European defence, Member States are therefore strongly encouraged to **align their national efforts further together and with agreed EU defence objectives**, maximising the impact of national investments through coordinated planning and collaboration.

PREPARING THE FUTURE

22. **The Strategic Compass**, approved by the Council of the EU in March 2022, marked a turning point for European defence, setting a **new level of ambition** by calling for greater cohesion in capability planning and development. The **May 2022 Joint Communication** on the defence investment gaps analysis and way forward provided in addition a **clear roadmap for Member States to address critical shortfalls**. The Strategic Compass, the Defence Investment Gaps Analysis, and the revised EU Capability Development Priorities all recommend that **Member States align their national defence efforts with EU and NATO priorities**. Nonetheless, gaps remain in collaborative defence efforts, particularly in R&T and R&D of major defence systems, which are crucial for maintaining Europe's technological edge and securing supply chains for critical defence technologies.
23. In parallel, the EU-NATO dialogue must be reinvigorated to ensure that Member States defence efforts converge within both frameworks. By facilitating **better information exchange, including classified ones, and deeper cooperation between EDA and NATO, particularly on defence planning and capability development**, Member States will be able to better synchronise their investments, avoiding unnecessary duplication between the EU's and NATO's respective efforts, thus ensuring that European and transatlantic security are mutually reinforcing.
24. The steady political guidance at EU level provides a clear mandate for action. With the full support of EU institutions and actors, Member States must now focus on **implementing the agreed 2023 EU Capability Development Priorities** through enhanced collaborative **efforts on R&T, system development, and concrete projects**, which in turn could support the ramp-up of the EDTIB's production capacity.
25. Alignment in planning towards effective cooperation remains central to meeting future defence challenges. While significant progress has been made, the CARD findings make it clear that **greater harmonisation of national defence planning remains necessary**. Member States must work together to align their operational requirements and timelines, including in the context of collaborative frameworks such as PESCO. Their enhanced efforts towards coordinated planning will allow for a **quicker, more pragmatic harmonisation of requirements**, aligning the in-service timing and the national financial planning towards common goals. **EDA will further promote this cooperation, supporting it** with its expertise and instruments dedicated to capability development, and monitoring progress toward objectives in its expert groups of defence planners.
26. Member States have yet to fully capitalise on cooperative defence planning, leading to **missed opportunities for resource pooling and a higher degree of efficiency and effectiveness** in defence investment. EU frameworks such as CARD and PESCO should be used more effectively to **harmonise national planning and foster greater cooperation**. In a similar vein, **Member States should internalise** in their planning the opportunities offered by the EDF, as well as new EU supporting instruments. Given the high R&D costs of developing advanced defence systems, steering and leveraging EU supporting instruments will prove crucial for sharing industrial risks, financial burdens,

and fostering innovation. Increased collaboration is mostly needed regarding **main combat systems and critical strategic enablers,** such as **interoperable and cyber-secured communications, space situational awareness and space-based capabilities**. These are areas where only limited progress has materialised.

27. Europe must strengthen its defence industrial base by **ramping up production capacity, responsiveness and innovation**. Russia's war of aggression against Ukraine has exposed the limits of EU defence industrial readiness, particularly in the ability to sustain prolonged, high-intensity operations. Member States need to maintain adequate stockpiles, keep production lines operational, and secure supply chains. **Increased cooperation between industry and the armed forces** should be pursued from the early stage of the definition of an operational requirement, to provide clear guidance on future needs and ensure that the right balance is struck between innovative, cutting-edge solutions, and mass production of reliable, proven systems.

28. Research, Technology Development, and Innovation are essential to **sharpen Europe's technological edge**. This will only be achieved in the long run **through sustained investment in R&T**. Member States should prioritise collaborative research projects to share the financial burden of high-risk, high-reward innovations. EU institutions and actors can support Member States in coordinating efforts, ensuring that EDF is fully leveraged, and guiding them towards joint investments in identified critical and emerging disruptive technologies (EDTs), such as artificial intelligence, and cyber defence. The aim is to ensure that Member States have a **clear pathway to reduce dependencies on non-EU suppliers and secure their defence supply chains**.

29. Member States' armed forces also face the persistent issue of **personnel recruitment and retention**. The rapid acquisition of new equipment and capabilities must be matched by an equally robust effort to train and retain personnel. Similarly, the European Defence Agency (EDA) and EU Military Staff (EUMS) could support Member States in exploring options for joint training facilities and military exchanges, and enhancing interoperability across European armed forces, while promoting shared expertise.

30. It is by better aligning their national priorities with shared EU objectives, building a resilient and forward-looking defence ecosystem that Member States will address urgent as well as long-standing gaps, advance the EU's ability to act for its security, and be able to robustly respond to future crises.

FROM COLLABORATIVE OPPORTUNITIES TO CONCRETE PROJECTS

31. During the CARD bilateral discussions, a large set of **convergence points** among national planning processes were identified and subsequently **filtered and refined into collaborative opportunities** by EDA, according to Member States' specific needs and priorities.

32. The identified **collaborative opportunities address different capability areas, time perspectives, and activities**. Some of them will focus on the compelling needs of Member States and the Common Security and Defence Policy's (CSDP) Military Level of Ambition based on quick and pragmatic solutions, such as the procurement of already existing products. Major next-generation equipment, on the other hand, will require longer times for developing, acquiring, and managing the solutions needed, as well as specific collaborative solutions.

33. These collaborative opportunities have been carefully assessed against agreed criteria: **urgency**, **relevance for both EU and NATO priorities**, **impact on the EDTIB**, and the **maturity** of the proposed ideas. Ultimately, the collaborative opportunities highlighted in this report are those that have attracted the most interest from Member States and reflect areas of collaboration where tangible progress has already been made. The 18 **consolidated collaborative opportunities** – briefly described in the annex – mark a **significant step forward in addressing shared defence**

needs, while providing the flexibility needed to ensure that Member States can tailor cooperation to their specific priorities.

34. For some of them, the level of maturity achieved allows for a **clear Member States' commitment towards deeper cooperation** through whichever cooperation framework MS consider appropriate, from signing letters of intent (LOIs) to launching specific PESCO Projects – in particular, a stronger commitment to cooperation seems to have crystallised regarding **the Integrated Air and Missile Defence, Electronic Warfare, Loitering Munitions, and the Next Generation Surface Combat Vessel.**

35. **Further implementation** of these actionable collaborative opportunities **requires dedicated efforts** from interested Member States **to materialise these collaborative endeavours into full-fledged projects**. EDA stands ready to support the implementation of these opportunities. The Agency will facilitate the creation of working groups to further develop these projects, bringing together Member States and EDA planners and experts, as needed. These working groups will ensure that progress is tracked and that collaborative efforts are aligned with Member States' expectations and broader EU defence objectives.

ANNEX I: FROM COLLABORATIVE OPPORTUNITIES TO PROJECTS

CAPABILITY DEVELOPMENT

INTEGRATED AIR AND MISSILE DEFENCE (IAMD)

IAMD is a crucial capability for protecting Europe's critical infrastructure, civilian populations, and military forces from an increasingly complex array of airborne threats, including ballistic missiles, cruise missiles, and unmanned aerial systems.

It is consistently highlighted as a key priority by several MS. The EDA concept paper, issued in July 2024, outlined a strategic approach to address critical gaps in air and missile defence, particularly in short-range capabilities such as counter-unmanned aerial systems and short-range air defence.

LOITERING AMMUNITION (LM)

Loitering munitions are versatile systems that can hover over target areas and engage whenever necessary, combining intelligence-gathering with precision strikes. They provide operational flexibility and are particularly valuable in modern conflicts where precision and adaptability are key.

In September 2024, MS explored joint procurement and development. The discussion highlighted the clear intent to pursue joint procurement in the short to medium term. A concept paper followed to better define what loitering munitions entail and to encourage greater MS convergence on common objectives.

SOLDIER ARMAMENT EQUIPMENT INCL. MEDICAL & CBRN

European forces equipped with essential gear enhance operational readiness and safety, including vital equipment such as helmets, body armour, CBRN protection, and ammunition.

MS have shown strong interest in advancing collaborative procurement by leveraging existing collaborative projects, tools, and best practices. Discussions emphasised the need for joint procurement of personal protection and CBRN gear, where MS can capitalise on established activities to ensure faster delivery and greater interoperability.

FUTURE GROUND COMBAT SYSTEMS

These capabilities are essential elements of maintaining a modern and agile army, capable of adapting to emerging threats. With integrated advanced weaponry, sensors, and autonomous technology, these capabilities can enhance both offensive and defensive operations. The modernisation of ground combat capabilities ensures that land forces remain capable and relevant in complex, multi-domain environments.

AIR TRANSPORT INCL. TACTICAL & STRATEGIC AIRLIFT

These capabilities ensure that forces and equipment can be deployed rapidly anywhere in the world. Airlift capabilities also strengthen national resilience, improve the ability to respond to global emergencies, enable military operations and support international security and humanitarian efforts.

ELECTRONIC WARFARE (EW)

EW plays a critical role in modern conflicts, enabling the disruption of enemy communications and sensors while protecting friendly forces from detection and interference, thus ensuring information dominance and safeguarding national security.

EW emerged as a key area of interest, with several MS recognising the urgent need to develop and integrate EW capabilities. A workshop held in July 2024 provided a platform for MS to discuss collaborative opportunities, focusing on areas such as jamming, portable EW systems, and signals intelligence platforms.

NEXT GENERATION CLASS OF MULTIPURPOSE MODULAR SURFACE COMBATANT VESSELS

The Next Generation Class of Multipurpose Modular Surface Combatant Vessels, referred to as the European Combat Vessel (ECV), is envisioned to provide EU navies with a highly adaptable and modular platform, in the 2040+ timeframe.

In 2024, MS aligned on a flexible, modular platform capable of adapting to national needs and integrating advanced systems over time. The next steps involve refining these requirements and developing concrete business cases. The ambition is for this project to become a major European naval collaboration, with potential integration into PESCO.

LONG RANGE PRECISION STRIKE, ARTILLERY

Despite the renewed interest in volumes, high precision will remain a priority to enhance operational effectiveness. The scarcity of such capabilities represents a long-term shortfall. MS have shown interest in the aggregation of demand regarding Long-Range Precisions Munitions and Artillery systems. In the identification of possible ways ahead, the joint procurement of ammunition, including artillery ammunition, may be considered by adapting existing mechanisms. Leveraging existing frameworks aims to satisfy MS demands for expansion in scope or participation.

UNDERWATER SURVEILLANCE & PROTECTION OF SEABED INFRASTRUCTURE

Unmanned maritime systems offer persistent surveillance, mine countermeasures, and anti-submarine capabilities without putting personnel at risk. These systems can enhance naval power projection, to safeguard vital sea routes an economic interest, and strengthen maritime domain awareness at a lower operational cost.

SPACE SERVICES

Satellite communications, navigation, and early warning enable global connectivity and provide critical support for all domains of warfare. Space assets and services are crucial for national security, economic stability, and global leadership in the increasingly contested domain of space.

RESEARCH & TECHNOLOGY

AUTONOMOUS SYSTEMS

The rapid growth of autonomous systems calls for increased European collaboration across domains and autonomy levels. A priority of EDA's Autonomous Systems Action Plan is creating a flexible European taxonomy to guide the development and integration of human-machine collaboration technologies. Non-technical challenges include concept development, testing, validation, certification, and standardisation.

ARTIFICIAL INTELLIGENCE (AI)

Building trust in AI is crucial for future defence capabilities. EDA's AI Action Plan promotes the development of EU-wide data spaces to support AI research for defence systems. Non-technical challenges include analysis for testing, validation, certification, and standardisation of AI-based systems. Greater European collaboration, involving industry and academia, is essential.

QUANTUM TECHNOLOGIES

Quantum technologies offer game-changing capabilities in defence, including unparalleled accuracy in positioning, navigation, and timing (PNT), advanced detection, secure communications, and powerful pattern recognition for cybersecurity and decryption. Strategic collaboration between defence and civil sectors is essential to maximise their impact.

SPACE TECHNOLOGIES

Space R&T is rapidly advancing, focusing on improving Earth Observation (EO) with better sensors and faster data transmission. Security of space assets, such as collision avoidance and threat prediction, can benefit from modelling, simulation, and digital twins. Enhancements come from in-servicing, manufacturing, debris removal and refuelling. Given its dual-use nature, civil-defence collaboration is key.

OPERATIONAL

STRATEGIC LIFT (SEA AND AIR)

Strategic air and sea lift remain critical for military mobility across MS. A shortfall has been identified in Strategic Lift, particularly for outsized cargo. Collaborative opportunities lie in expanding contracted services to cover shortfalls and reinforcing existing initiatives, such as the SATOC project. MS could also explore long-term solutions through collaborative procurement to replace aging strategic lift assets.

SATELLITE COMMUNICATION (SATCOM)

Collaborative opportunities in SatCom focus on developing European sovereign communication systems. SatCom is vital for strategic and tactical communications during deployments. MS are encouraged to harmonise requirements and participate in joint procurement projects, such as the IRIS² multi-orbit satellite constellation, to address SatCom shortfalls and meet emerging operational needs.

COMMAND & INFORMATION SYSTEMS

Collaboration opportunities lie in developing persistent and resilient command and control (C2) systems – vital for interoperability and situational awareness in high-intensity operations. Joint projects aim to address C2 shortfalls, ensuring secure data exchange and strong cyber defence capabilities.

SATELLITE BASED GROUND OBSERVATION

Satellite-based Earth Observation offers strategic potential for collaboration. By aggregating demand, MS can expand satellite services, improving real-time situational awareness and persistent surveillance, especially for military operations.

ANNEX II: DEFENCE DATA

SHARP RISE IN TOTAL EU MS DEFENCE SPENDING

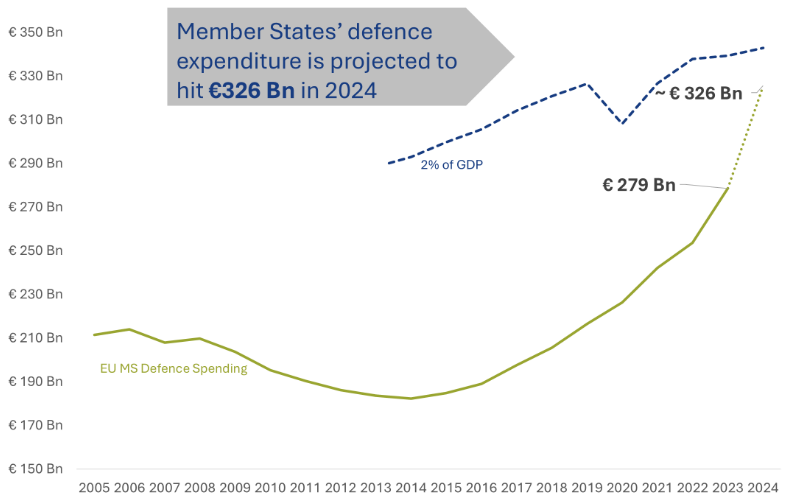

Figure 1 Total Defence Expenditure vs the 2% of GDP NATO guideline

This represents an **unprecedented 1.9% of EU's GDP**

* Figures are in constant 2023 prices

Defence expenditure by the 27 EU MS increased by 10% in real terms in 2023, reaching €279 billion.[2] The rise in spending is likely to continue, with data suggesting that defence expenditure could reach €326 billion in 2024, i.e. an estimated 1.9% of GDP, moving EU MS closer to NATO's 2% guideline (Fig. 1).

CHANGE IN TOTAL DEFENCE SPENDING FROM 2022 TO 2023

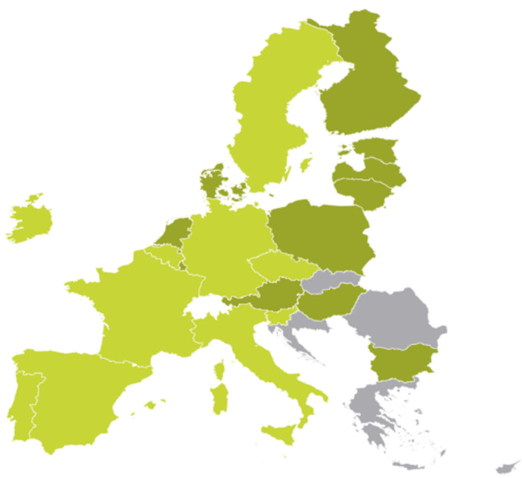

Figure 2 Change in Total Defence Expenditure by EU MS, 2022-2023

22 MS increased defence spending in 2023 (irrespective of previous variations)

- 11 MS raised their defence expenditure by 10% or more
- 11 MS increased defence spending by up to 10%
- 5 MS decreased defence spending compared with 2022

* Figures are in constant 2023 prices

In 2023, a total of 22 MS raised defence expenditure compared to 2022, while five MS decreased spending. Eleven MS increased expenditure by more than 10% (Fig. 2).

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[2] EDA compiled the 2023 defence data figures through the 2024 Permanent Structured Cooperation (PESCO) National Implementation Plans, the 2024 Coordinated Annual Review on Defence (CARD) Consolidated Information, and individual updates by MS. All data is collated ("total incorporates 27 MS"), and it has been rounded. Defence expenditure figures are provided in constant 2023 prices – unless stated otherwise – to take inflation into account and allow for a comparison across years.

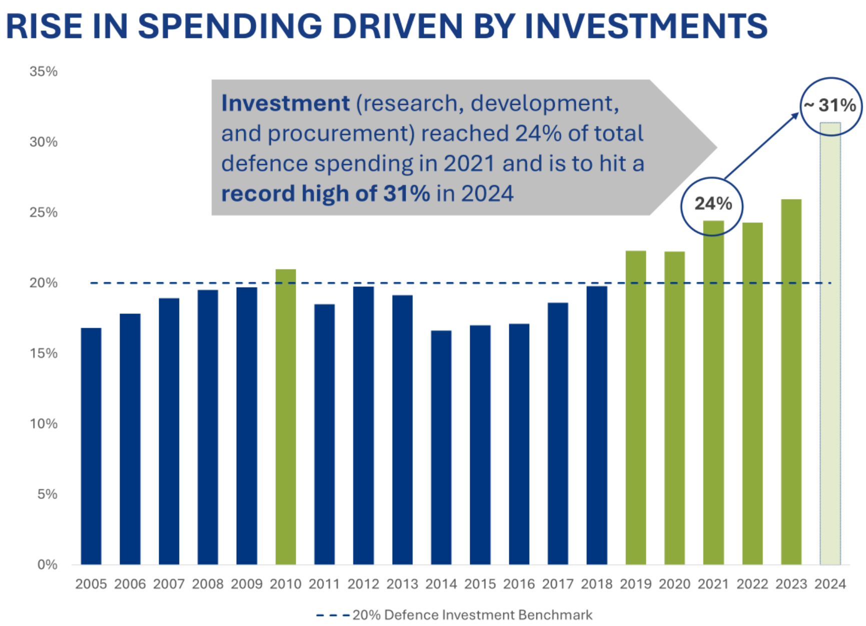


Figure 3 Share of Total Defence Expenditure Allocated to Defence Investment

The rise in defence spending is primarily driven by investments into the research, development, and procurement of defence equipment. Defence investments will hit a record high of 31% of total defence expenditure in 2024 (Fig. 3).

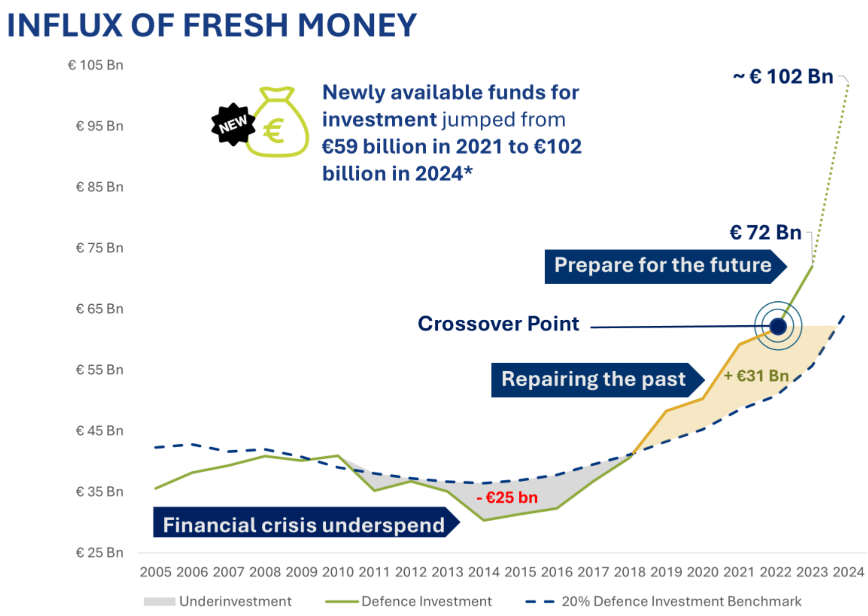


Figure 4 Defence Investment and 20% Defence Investment Benchmark

Investments in researching, developing, and procuring new defence capabilities are expected to rise from around €59 billion in 2021 to €102 billion in 2024. The current heavy investments into EU MS' armed forces highlight critical vulnerabilities caused by past underinvestment accumulated following the 2008 financial crisis and its aftermath. During the 2011-2018 period, EU MS continuously invested less than 20% of their total defence expenditure on equipping their armed forces with modern defence capabilities. This resulted in an investment gap of €25 billion, not accounting for previous underinvestment. The substantial defence investments made since 2019 have helped compensate for the underinvestment period and started addressing the shortfalls. These newly available funds should be synchronised and targeted to address not only the critical vulnerabilities caused by past underinvestment but also to prepare European defence for the long term (Fig. 4).

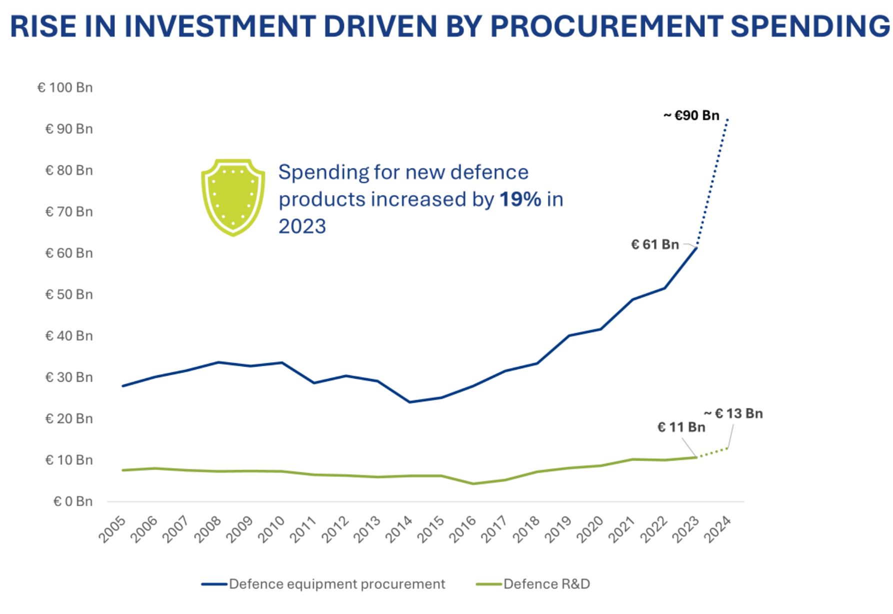
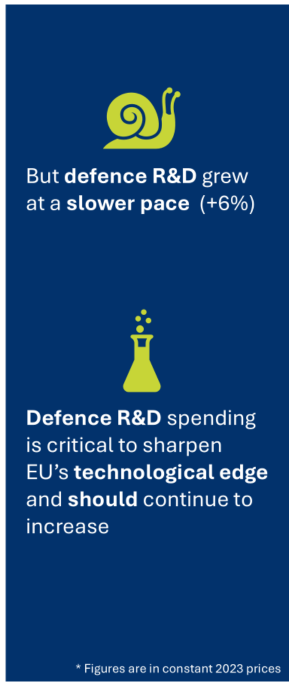


Figure 5 Defence Equipment Procurement and Defence R&D



The bulk of defence investments is allocated to the procurement of new defence products, which increased by 19% in 2023, reaching around €61 billion. The increasing trend is expected to continue in 2024, when defence equipment procurement spending could reach beyond €90 billion. The surge in procurement spending has gone hand in hand with MS resorting to off-the-shelf acquisitions to promptly address current capability gaps. Off-the-shelf procurements can offer an effective way to respond to short-term delivery constraints and enhance overall combat readiness rapidly, but they can also have a negative impact on the overall coherence of EU armed forces, replicating problems of interoperability and long-term development into the future. Many MS' acquisitions, were ordered from non-European manufacturers in 2022-2023, rather than from the European Defence Technological and Industrial Base (EDTIB) – the latter suffering from a perceived lack of manufacturing capacity and longer lead times.

Defence research and development (R&D) spending is also on the rise but grew at a slower pace than the procurement of defence equipment (+6% in real terms compared to 2022), with an expected increase from €11 billion in 2023 to €13 billion in 2024 (Fig. 5). A continuing increase in defence R&D spending is essential for EU MS to remain at the technological cutting-edge.

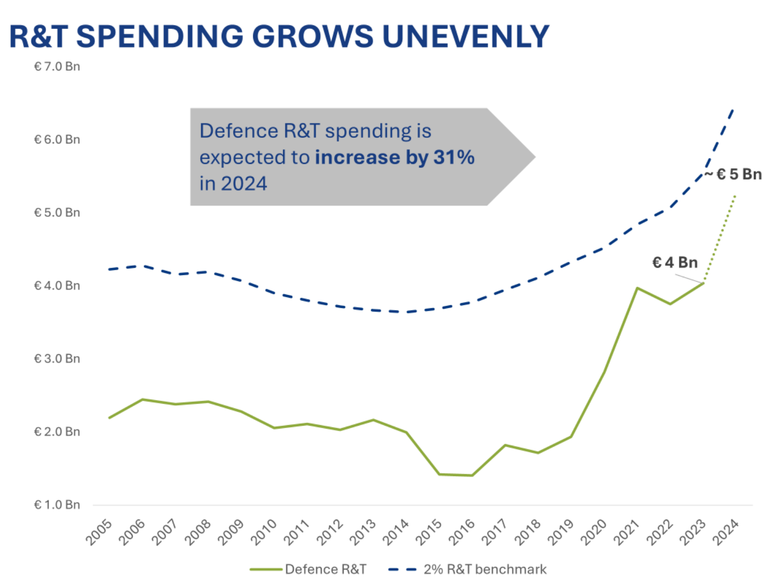
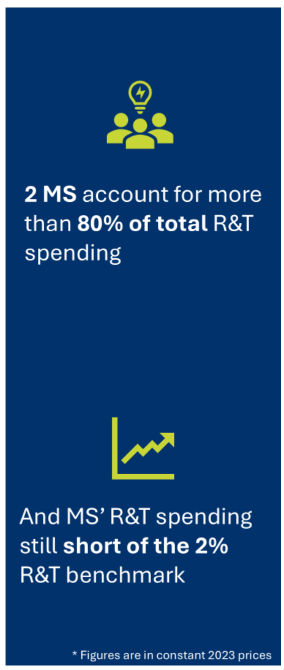


Figure 6 Defence R&T and 2% Defence R&T Benchmark



A notable increase in defence research and technology (R&T) expenditure is visible since 2023, with total defence R&T spending expected to grow from €4 billion in 2023 to €5 billion in 2024, an increase of 31% in real terms. Despite MS' efforts to increase R&T spending, they still fall short of the 2% benchmark on defence R&T agreed in 2007 (Fig. 6). In addition, there is a very uneven distribution of declared R&T spending at EU level, as two MS account for more than 80% of it.

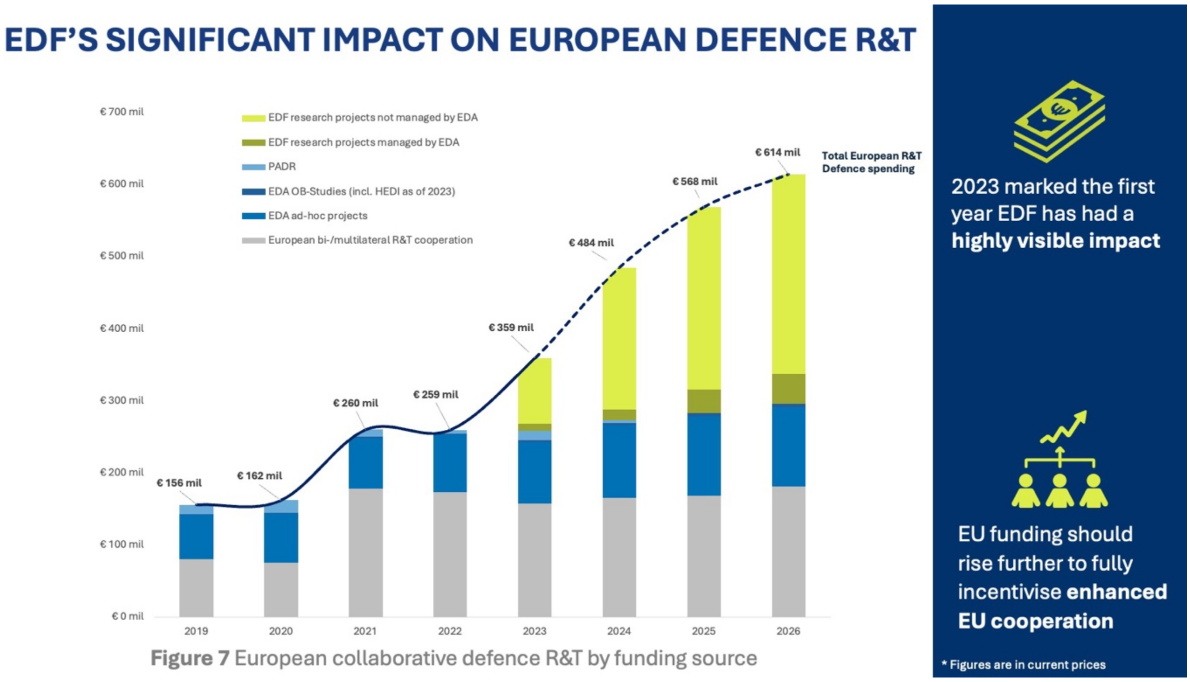


Figure 7 European collaborative defence R&T by funding source

2023 marked the first year that the European Defence Fund (EDF) has had such a significant and visible financial impact. Combined with other financial instruments and national funding by MS, the total EU collaborative R&T spending is estimated to increase from €359 million in 2023 to more than € 600 million in 2026 (current prices) (Fig. 7). The combination of European defence initiatives offers valuable tools to promote cooperation in this field. In the coming years, additional EDF funding will support collaborative defence R&D projects, with an expected increase to more than €1 billion by 2026, at current prices, ultimately enhancing the armed forces' warfighting capabilities.