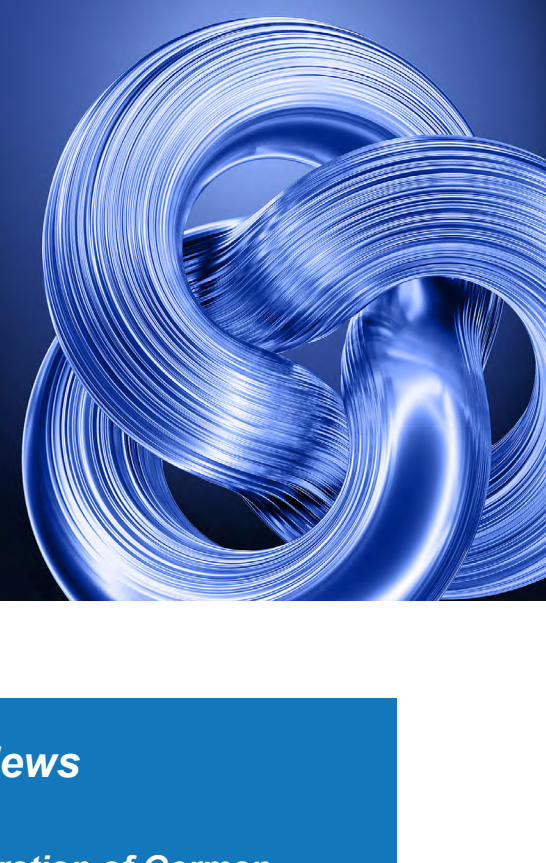


MONTHLY EXECUTIVE BRIEFING

organised by **IISS** **Hamburg Messe + Congress**



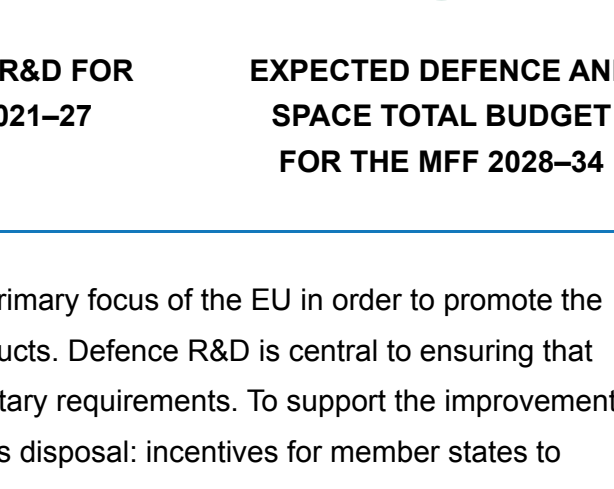
Financing R&D in defence: the limits of the EU system

Defence research and development (R&D) can be considered a fundamental element of the European Defence Technological and Industrial Base (EDTIB) as it sustains the further development and improvement of military systems and equipment. However, investment in defence R&D remains low and the European Union is struggling to increase its support. This is because only a limited portion of the EU budget is assigned to defence R&D, and it is not possible to reallocate elements of the EU budget once it has been adopted.

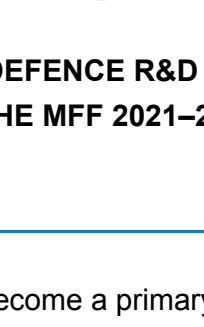
- ▶ In 2024, EU member states devoted only €13 billion to defence R&D, against a cumulative €343bn of defence expenditure. R&D expenditure in 2025 was expected to be €17bn.
- ▶ The EU supports defence R&D through the European Defence Fund (EDF), but to improve the EDTIB's capacity to produce cutting-edge products, the EDF budget would need to increase substantially. EU support for defence R&D is currently insufficient to sustain defence innovation and to complement member states' R&D investments.
- ▶ While the money issue can be addressed in the current negotiations over the EU's next multiannual budget, other factors, such as reducing red tape and harmonising legislation in adjacent sectors, need to be resolved to fully exploit potential cooperation. A higher EU budget for defence R&D would improve support for member states, but the EU could also simplify and harmonise regulations in other sectors, such as chemicals or priority-rated orders for components.

GSIS 2026 News

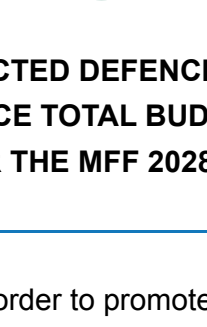
- [The Federation of German Security & Defence Industries \(BDSV\) joins GSIS 2026 as a strategic partner, strengthening the industrial perspective of the summit.](#)
- [The Special Competitive Studies Project \(SCSP\) continues its partnership with GSIS in 2026, deepening transatlantic cooperation on strategic technologies.](#)
- [The first version of the conference agenda is now live and available on our website. Check back regularly for the latest updates to the programme.](#)
- [Exhibitor registration for GSIS 2026 is live – secure your stand today and benefit from our exclusive early bird offer until 30 April 2026!](#)



CUMULATIVE EUROPEAN DEFENCE R&D SPENDING IN 2024



EU DEFENCE R&D FOR THE MFF 2021–27



EXPECTED DEFENCE AND SPACE TOTAL BUDGET FOR THE MFF 2028–34

Since 2022, strengthening the EDTIB has become a primary focus of the EU in order to promote the co-development and joint procurement of military products. Defence R&D is central to ensuring that the EDTIB can supply products that meet evolving military requirements. To support the improvement of the EDTIB, the EU has three major instruments at its disposal: incentives for member states to influence decision-making processes on defence procurement; support for the defence industry; and proposing new legislation to reshape the sector. Nevertheless, the fiscal incentive for countries to improve their defence R&D remains limited.



Defence R&D at national and EU level

Chronic underspending on defence R&D in Europe limits the EDTIB's capacity to produce high-end products at speed and scale. Boosting defence R&D – comprising basic and applied research to develop and test the production of new weapons and weapons systems – is critical for EU countries to reduce military overdependencies on non-EU partners and innovate more quickly.

According to the European Defence Agency (EDA), in 2024 EU countries spent a record €343bn on defence, including €106bn on defence investment, which includes defence procurement and R&D. But only €13bn of overall defence spending was invested in defence R&D. The EDA estimates that in 2025, R&D expenditure reached €17bn, a 30% increase from 2024. Nevertheless, spending on defence R&D in Europe remains low and accounts for as little as 4% of total defence spending by EU member states. Additionally, distribution of defence R&D in Europe is uneven, with France, Germany, Poland and Romania investing the highest proportions of defence R&D in their national cumulative R&D budgets in 2024.

In comparison, in 2024 the United States invested US\$148bn (€136.8bn) in Research, Development, Test, and Evaluation (RDT&E), or 15.5% of its total annual defence budget. A similar proportion was likely invested in 2025. Whilst it is unrealistic to expect European countries to match US investment in defence R&D, collectively EU countries could strengthen the proportion of defence expenditure allocated to R&D. Had they spent 15% of the cumulative defence budget in 2024, they would have invested €51.4bn in defence R&D.

National defence R&D is supported at the EU level through collaborative R&D projects under the EDF. With a total budget of €7.3bn, the EDF has allocated approximately €5.5bn since 2021 to support collaborative R&D projects covering all military domains. An additional €1bn will be allocated to projects through the 2026 EDF calls for proposals. The EDF budget is very low, however, particularly considering that the fund has allocated money to 224 projects so far. That said, the creation of the EU Defence Innovation Scheme (EUDIS) under the EDF has a budget of €2bn to dedicate to defence small and medium-sized enterprises (SMEs) and start-ups to dedicate to newcomers represent a considerable part of Europe's defence innovation backbone and are relevant in advancing R&D results in the sector. Another €1.5bn for 2024–27 under the EDF is dedicated to the Strategic Technologies for Europe Platform (STEP) to boost investment in R&D in critical technologies in defence. Despite their insufficient funding, EUDIS and STEP signal the recognition that more funding for R&D is needed. Nevertheless, the inability to reassign resources in the EU budget during its implementation phase has so far made it impossible to provide more adequate support to defence R&D.

EU current and potential support to defence R&D compared to the US budget



Reforming EU financing and regulatory instruments

The 2024 Draghi and Letta reports (which focused respectively on EU competitiveness and the single market) recommended better support for the EDTIB, including the restructuring and simplification of the rules governing the European defence single market and EU financing architecture.

European Commission President Ursula von der Leyen's proposal to create a European Competitiveness Fund (ECF) under the next Multiannual Financial Framework (MFF) 2028–34 and to connect it with Horizon Europe, the EU's key funding programme for research and innovation, is a potential way to better support the EU's political priorities, including strengthening the defence industry and closing innovation gaps. The ECF consolidates 14 funding mechanisms under the current MFF into a single framework to simplify the funding process. It also introduces the possibility of reassigning funds within EU budgets. This could support a reallocation of funds to defence R&D should the requirement arise during the implementation phase of the MFF.

Under the ECF, €131bn should be spent on European defence and space capabilities. However, it is unclear how much spending will be allocated to defence R&D in the new structure and how the €175bn Horizon Europe research programme will be integrated to exploit synergies and investment spin-offs.

Should Horizon Europe be used to support at least dual-use R&D projects, eligibility rules in the relevant work programmes might have to be modified to ensure participation is limited to legal entities under the ECF framework. In case of Horizon Europe could not be used for defence-related R&D, investment gains from dual-use R&D could remain outside the EU support framework, with potential negative repercussions in both the civil and military sectors.

Other legislative initiatives are expected to further support European defence R&D, even though not by directly injecting new money into the sector. The proposed 'mini defence omnibus' – the legislative changes to speed up and simplify the sector – could further stimulate defence R&D. For instance, the European Innovation Council can now finance dual-use innovations and equity-only investment for EDF projects with a dual-use application. Similarly, external financial contributions to the EDF or the use of simplified procedures for SMEs' participation in the fund should decrease the burden of cooperation.

"In contrast to NATO, the EU can have financial and economic instruments to help member states with their military needs. NATO is defining all those capability targets, all those defence plans, but it cannot realise these plans. On the other hand, the EU can implement industrial policy instruments."

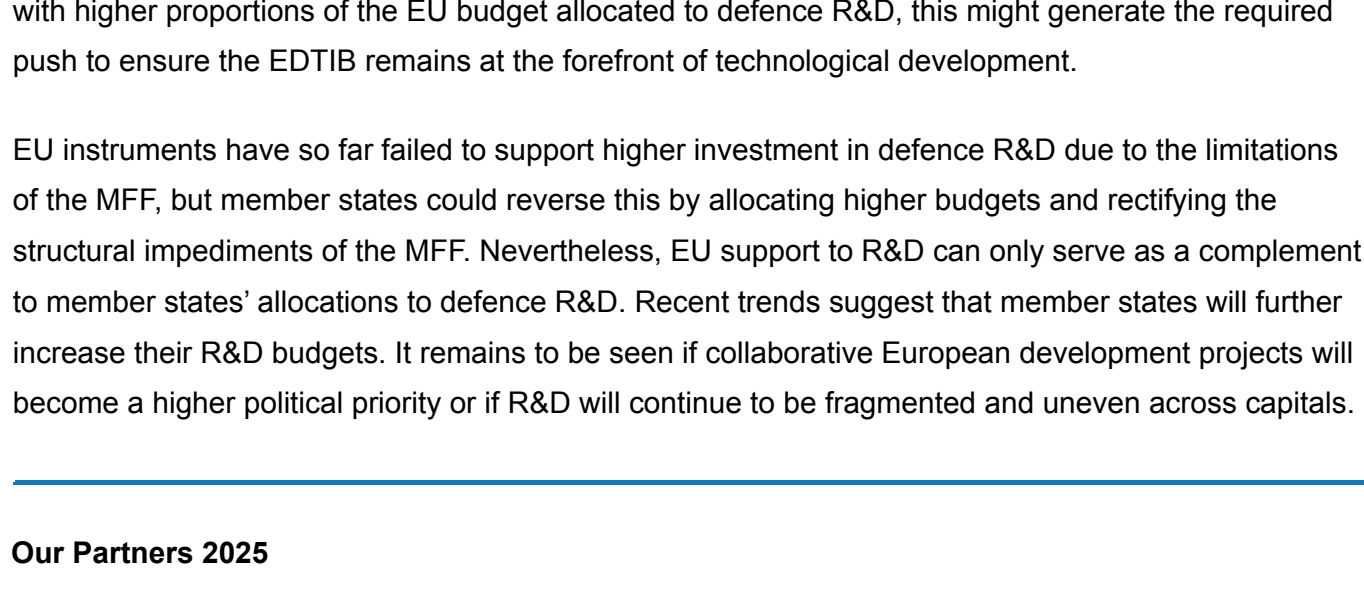
▶ Andrius Kubilius, European Commissioner for Defence and Space, 2025. interview published in the European Court of Auditors Journal, January 2026

"We have all agreed to spend more. We need to get the money out the door and turn this into real defence capabilities. Some ask whether we can afford this? But I say, we cannot afford not to."

▶ Ursula von der Leyen, President of the European Commission, speaking at the Munich Security Conference 2026

"We need to transform defence technology, but also our defence industry. We need to create a transformational ecosystem from R&D to development, to production, military testing and battlefield feedback. A continuous loop."

▶ Andrius Kubilius, European Commissioner for Defence and Space, speaking at the EU Military Committee Meeting at Chiefs of Defence level, November 2025



Looking ahead

As the first EDF projects are now reaching the more advanced stages of R&D and the EDTIB is focusing on improving and scaling its industrial capacity across the entire spectrum of military capabilities, R&D priorities supported by the EU need to be aligned much more closely with procurement priorities from member states. The 2025 EU Defence Industry Transformation Roadmap includes a target to allocate 10% of national defence-procurement budgets to emerging and disruptive technologies. If EU members can meet this goal, it could advance defence R&D in Europe. Coupled with higher proportions of the EU budget allocated to defence R&D, this might generate the required push to ensure the EDTIB remains at the forefront of technological development.

EU instruments have so far failed to support higher investment in defence R&D due to the limitations of the MFF, but member states could reverse this by allocating higher budgets and rectifying the structural impediments of the MFF. Nevertheless, EU support to R&D can only serve as a complement to member states' allocations to defence R&D. Recent trends suggest that member states will further increase their R&D budgets. It remains to be seen if collaborative European development projects will become a higher political priority or if R&D will continue to be fragmented and uneven across capitals.

Our Partners 2025



Founding Partner **Founding Partner** **Alliance Partner** **Alliance Partner**

Alliance Partner **Official Partner** **Venture Partner**

CONTACT US

Hamburg Messe und Congress GmbH · Messeplatz 1 · 20357 Hamburg · Germany
Phone +49 40 3569-0 · Fax +49 40 3569-2203 · info@gsis-hamburg.com · www.gsis-hamburg.com

Follow us:

Management Board: Uwe Fischer (CEO), Heiko M. Stutzinger (CEO)
Hamburg Municipal Court, Reg. No. HRB 12 054
VAT No. DE811214125