

# Beyond deterrence: Reimagining defence readiness, innovation, and strategic autonomy for 2030 and beyond in the EU



From the EMA Defence Hub

KPMG. Make the Difference.

January 2026

# Mission brief

The defence landscape across Europe, the Middle East and Africa (EMA) is undergoing significant change. Security crises, rapid technological disruption, and shifting geopolitical realities are challenging governments, armed forces, and industry alike. What once seemed stable for decades is now being reshaped within years, sometimes months. Flexibility, resilience, and innovation have become critical prerequisites to maintaining credible defence capabilities.

Beyond questions of budgets and procurement, the defence sector now faces structural transformation. It requires new approaches to industrial capacity, resilient supply chains, and regulatory adaptation, as well as the integration of digital and AI-driven solutions. At the same time, the shortage of skilled personnel and the increasing demand for cross-border collaboration underline the importance of systematic workforce development and international networks.

KPMG member firms have long been trusted advisors to defence organisations across the EMA region supporting clients in strengthening their governance and financial resilience, in building agile and secure supply chains, in implementing digital transformation, and in integrating authentic military competence into consulting delivery. Through the KPMG defence operating model and the KPMG defence academy, we seek to provide structured pathways for embedding operational and strategic experience, develop young talent, and see that the lessons learned can be systematically transformed into sustainable capabilities. Our ambition with this report is to provide you - whether in government, the armed forces, or industry - with both strategic insights and practical examples.

I invite you to engage with myriad perspectives that we have compiled here. They seek to reflect not only the challenges of our time, but also the opportunities that lie in reshaping the defence sector with foresight, responsibility, and innovation.



## Stefan Hefter

Head of EMA Defence practice  
Partner, Defence & Space  
KPMG in Germany



# Foreword

As Europe stands at a strategic crossroads, the imperative to move beyond traditional deterrence has never been clearer. The evolving threat landscape - marked by hybrid warfare, cyber disruption, and geopolitical volatility - demands a defence posture that is not only reactive but anticipatory, agile, and deeply integrated across domains.

During my tenure in NATO and the Bundeswehr, I witnessed the transformative power of multinational cooperation and operational adaptability. Defence readiness today should be rooted in innovation, digital resilience, and strategic autonomy. These are not abstract ideals - they should be operational necessities for a secure and sovereign Europe.

This thought leadership initiative rightly challenges us to reimagine defence for 2030 and beyond. It calls for a shift from static deterrence to dynamic preparedness, from fragmented capabilities to interoperable systems, and from national silos to collective strength. Europe should invest in future-ready technologies, harmonize defence planning, and foster a culture of strategic foresight.

Moreover, readers should recognize that defence is no longer confined to the battlefield. It spans cyberspace, supply chains, and societal resilience. A whole-of-government and whole-of-society approach is essential to counter complex threats and safeguard democratic values.

Let this work serve as a compass for policymakers, military leaders, and innovators. The challenges ahead are formidable, but with unity of purpose, clarity of vision, and commitment to shared security, Europe can lead with confidence and conviction.

Together, the region should shape a future where readiness is not a reaction but a mindset.



## General (retd.) Erhard Bühler

President, Clausewitz-Gesellschaft

Former Director General for Planning,  
German Ministry of Defence



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# 01

## Executive summary



# Executive summary

**Europe’s defence sector** stands at a critical turning point, shaped by the urgency of recent geopolitical crises and the consequences of decades of underinvestment. The landscape is rapidly evolving, with hybrid warfare, global conflicts, and new geopolitical flashpoints - such as raw materials, space, and energy - demanding a fundamental rethink of defence priorities and capabilities.

**EU member states** are called upon by EU institutions to accelerate defence spending and pursue greater strategic autonomy, moving beyond traditional thresholds to meet the demands of EU’s Readiness 2030 plan. This requires not only increased investment but also a broad-ranging reform of procurement processes, a renewed focus on workforce development, and a commitment to fostering collaboration and harmonization across borders. The challenge is compounded by fragmented regulations and persistent supply chain threats, which necessitate resilient and indigenized approaches to defence planning.

For the **EU defence industry**, the imperative is to scale up production, secure critical supply chains, and embrace digital transformation. Building robust talent and innovation ecosystems is essential to remain competitive and resilient in the face of rapid technological change. The sector should adapt to new models of collaboration, integrating digital and AI-driven solutions while nurturing the next generation of defence professionals.

While **EU institutions** remain key to regulatory reform and funding, the role of **NATO** in closing capability gaps and enabling more interoperability and standardization is likely to be tested going forward.

Ultimately, the future of Europe’s defence sector depends on harmonized, cross-sectoral efforts among governments, industry, institutions, and alliances. Only through collective action - accelerating investment, reforming procurement, nurturing talent, and fostering collaboration - can Europe build defence systems that are credible, sustainable, and prepared for the uncertainties ahead.



Stakeholders	KPMG recommendations			
<b>EU member states</b>	Accelerate spending & autonomy	Reform procurement	Invest in workforce	Foster collaboration & harmonization
<b>EU defence industry</b>	Scale up production	Secure supply chains	Embrace digital transformation	Build talent & innovation ecosystems
<b>EU institutions</b>	Expand funding mechanisms	Drive regulatory adaptation	Promote autonomy & resilience	Champion workforce & collaboration
<b>NATO</b>	Address capability gaps	Enhance deterrence & integration	Accelerate innovation	Support talent & veteran transition

# 02

## Situation room: Strategic threats and shifting paradigms



# Situation room: Strategic threats and shifting paradigms

## The new battlespace

Over the past decade, Europe has undergone a **fundamental transformation in defence policy**, driven by a series of security crises that have reshaped the continent's approach to collective security. This represents one of the most significant strategic shifts in post-Cold War European history, moving from decades of defence retrenchment to unprecedented investment and development of capabilities.

**Russia's ongoing war of aggression against Ukraine** undoubtedly represents the most intense military confrontation of the recent past. There has been no comparable fighting in Europe since the Second World War. With ongoing and highly intense military operations continuing since 24 February 2022, it goes without saying that any relevant military capability planning and development would be incomplete if it did not evaluate the lessons learned from the ongoing military activity.

One such important lesson is how Ukraine has repeatedly countered **Russia's hybrid warfare strategies** including cyberattacks, sabotage, disruption to military aid, and social media disinformation campaigns.

## Geopolitical flashpoints

World Economic Forum's Global Risks Report highlights "**Geoeconomic confrontation**" as the topmost risk for 2026. Along with "State-based armed conflict", "Extreme weather events", "Societal polarization" and "Misinformation and disinformation", it might likely make 2026 one of the most challenging years since the cold war.

One must keep in mind that the current geopolitical flashpoints are just not restricted to specific geographies like the Middle East, EU-Russia, the Arctic, Greenland or South China sea but also bleed into themes like "Critical Raw Materials", "Space", "Energy", "Water", and "Maritime activities".

These geopolitical flashpoints are also leading to **tectonic shifts in power, economic centers and trade**; shifting alliances (based upon national security concerns) and fragmented regulations; multiple threats to supply chains, assets and infrastructure; and geopolitical competition in AI and other technologies (i.e., quantum computing), according to KPMG's report on top geopolitical risks.

## Redrawing the map: Emerging hotspots in defence



Rearming at scale in EU countries; New funding channels; Defence-tech startups



India's indigenization push; Rapid growth of private defence startups



Saudi's Vision 2030 to indigenize; Focus on AI, drones, and cyber warfare



UAE's niche in many domains including uncrewed systems and guided weapons; Strong export orientation



Korea's strong domestic R&D ecosystem; Known for fast delivery, cost-effective platforms



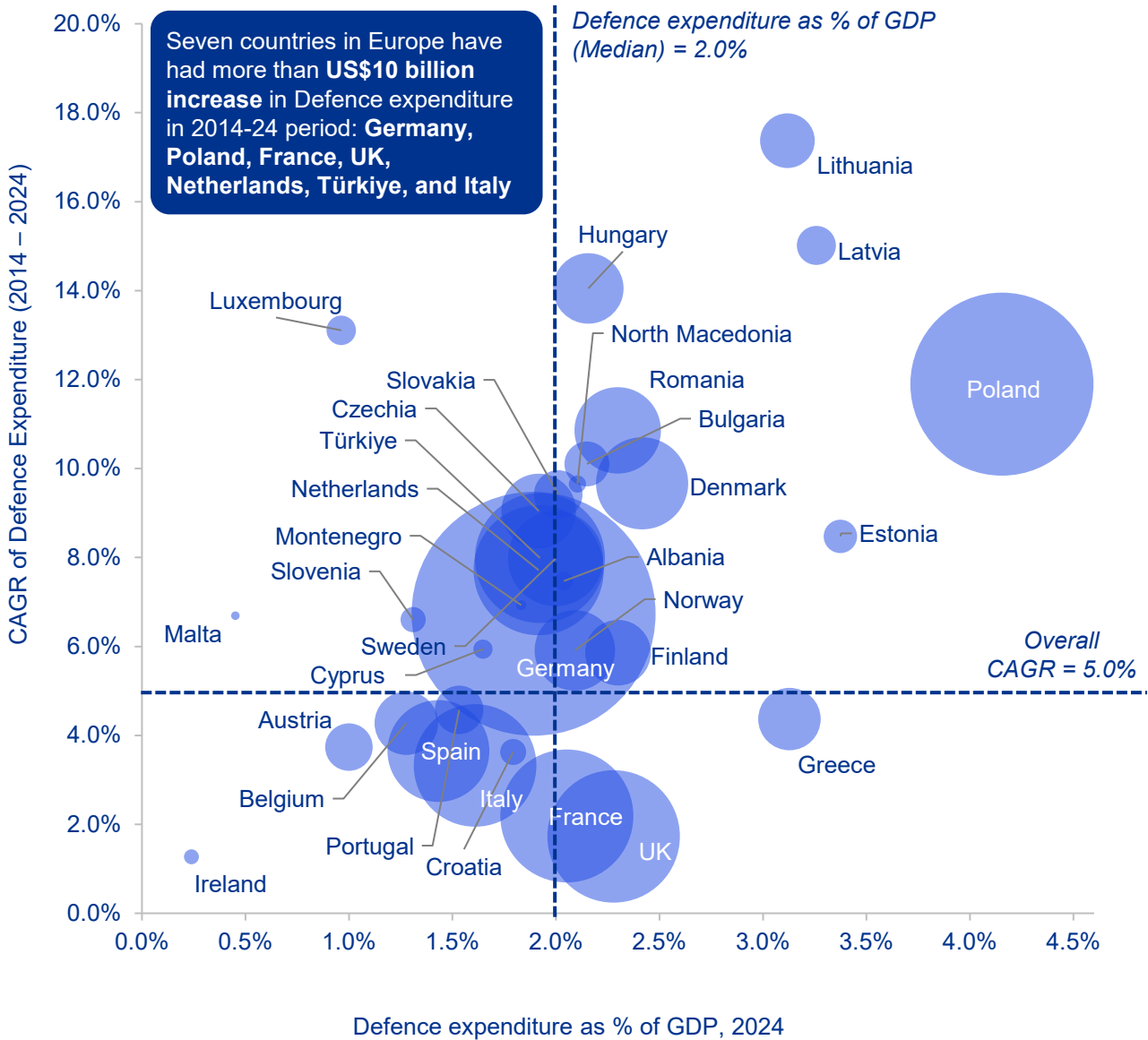
Europe is making a historic policy pivot - defence spending hit €343 billion in 2024 (up 19%), driving an industrial revolution of new supply chains, new businesses, and vast risks & opportunities that will reshape societies."

- **Stefano Moritsch**,  
Global Geopolitics Lead,  
KPMG International



# Situation room: Strategic threats and shifting paradigms

## Defence expenditure and its growth in EU member states and European NATO allies, 2014-2024



Note: Defence expenditures are in Constant 2023 US\$; Size of the bubbles indicates difference between 2024 and 2014 values of defence expenditures. "Iceland" values are not available hence not included here. Austria, Cyprus, Ireland, and Malta are not NATO members in Europe. Albania, Montenegro, North Macedonia, Norway, Türkiye and UK are not EU-27 members.

Source: Information from the Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database, <https://milex.sipri.org/sipri>, accessed in October 2025

# 03

**Rearm & reform: Defence spending, industrial capacity, and market integration**



# Rearm & reform: Defence spending, industrial capacity, and market integration

## The Rearm Europe & Readiness 2030 plan

Since 1995, most EU member states have consistently spent **less than 2% of their GDP on Defence** (according to NATO). This has resulted in massive underinvestment revealing significant defence capability gaps in the EU.

However, according to NATO, more recently European allies have committed to raise their defence expenditures to **5% of their GDP** – 3.5% on core defence requirements and rest up to 1.5% on other security expenditures.

The European Commission has unveiled the European Defence Readiness 2030 plan that, if implemented, should unlock **€800 billion** to strengthen EU's defence capabilities and infrastructure against the Russian aggression and uncertainty over non-EU defence support.

As part of this plan, **new defence funding mechanisms** have been put in place which aim to mobilize public funding and private capital to strengthen European defence. Specifically, these include **Security Action for Europe (SAFE)**, and National escape clause of Stability and Growth Pact.

Moreover, the next **Multiannual Financial Framework (MFF)** proposes a five-fold investment increase in EU defence and space – from €26 billion (2021-27) to €131 billion (2028-34), according to the European Commission.

## Buy European: The impending shift from non-EU to EU defence procurement

According to a SIPRI report, Europe accounted for **28% of all global arms imports** during 2020-24 period with Ukraine importing the most in Europe. United States was the major supplier accounting for 55% of these European arms imports. Such **high non-EU dependence** on arms & ammunitions has already worried EU authorities who are taking appropriate steps under the new **Readiness 2030 plan**. EU institutions have set non-binding targets and introduced funding / eligibility rules that favour EU-based suppliers in EU-funded procurement, with the goal of reducing external dependence.

## Industrial bottlenecks and supply chains

Decades of underinvestment in defence manufacturing and infrastructure in the EU has led to loss of manufacturing competitiveness in multiple domains. **Primary reasons for this underinvestment** include the relative decline of European economies that limited funding; fragmented public and private industry which led to difficulties in defence procurements and cross-border investments; and regulatory barriers which have stalled EU's technological prowess.

In addition to this, economies like China have caught up with the EU in terms of Defence expenditures, R&D and supply chains. **China was spending more on defence** than all EU-27 countries combined during 2018-19 period according to the SIPRI database. China has also been able to **highly secure its supply chains**, especially for **critical raw materials like Gallium & Iridium** (used in radars and sensors), **Tungsten** (used in engine components and warheads), and **Cobalt** (used in combat-aircraft-propulsion systems, electric motors and batteries), according to the International Institute for Strategic Studies (IISS).

**The EU Defence industry is at an inflection point** - closing the capability, manufacturing and infrastructure gaps will require not just robust policy reform but also deliberate on-ground action.



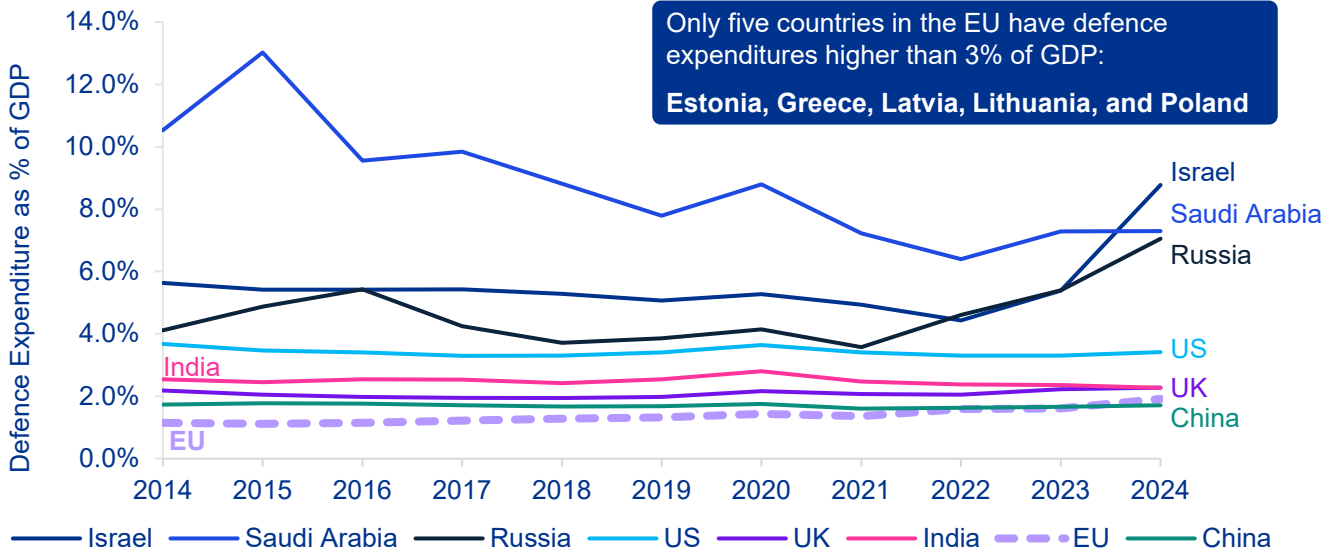
The time to act is now. Europe should be seeking to rearm and reform to close capability gaps, secure supply chains, and protect sovereignty - because hesitation today can become vulnerability tomorrow.”

- **Pascal Hogenboom**,  
Partner and Head of Defence,  
KPMG in the Netherlands



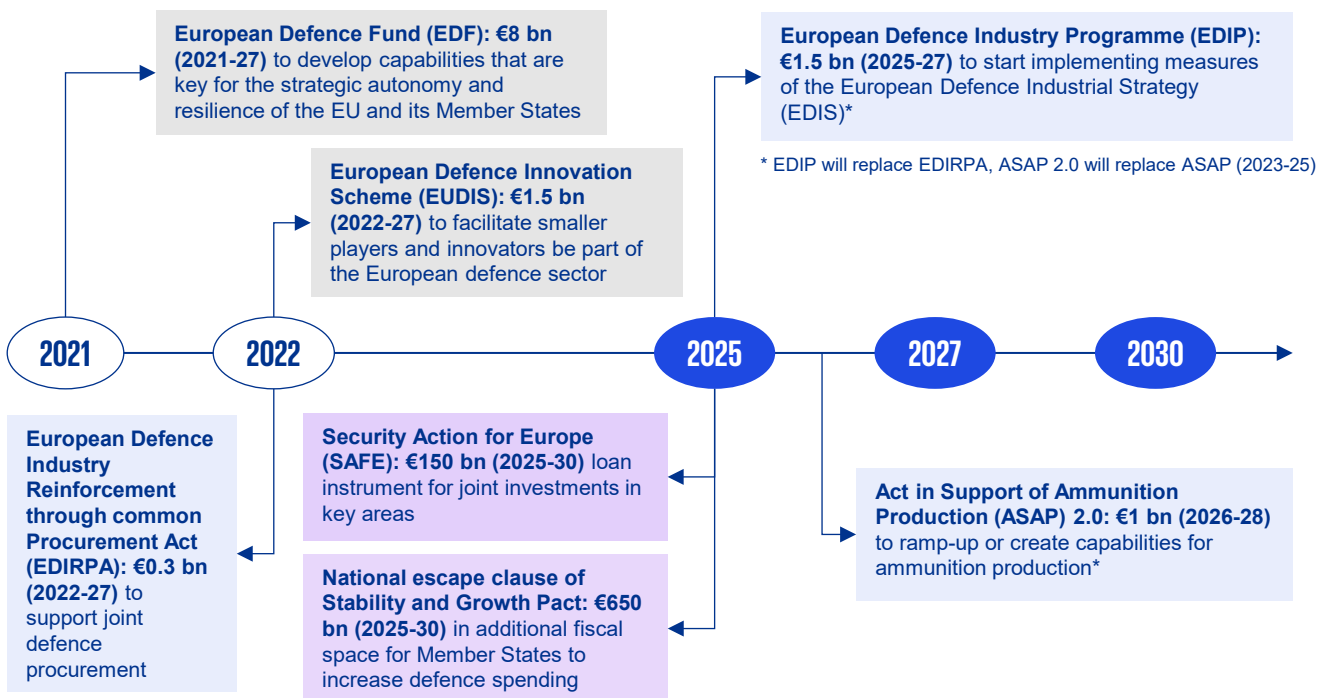
# Rearm & reform: Defence spending, industrial capacity, and market integration

Defence expenditure as percent of GDP, Select countries, 2014 - 2024



Source: Information from the Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database, <https://milex.sipri.org/sipri>, accessed in October 2025. Ukraine's defence expenditure had shot up to ~ 35% of GDP in 2024 (not shown here)

Financing EU defence: Timeline of current and new policy mechanisms



LEGEND  Defence R&D  Readiness 2030  European Defence Industrial Strategy (EDIS)

# 04

## Closing the gaps: NATO capability shortfalls and alliance modernization



# Closing the gaps: NATO capability shortfalls and alliance modernization

## Capability gaps

Many strategic assessments done by NATO and other thinktanks concur that Russia could pose direct military threat to NATO Europe in **two to five years' time** – some estimate that this could be as early as 2027, especially for the Baltic states. Analysts agree that this timeframe is too short for closing any defence capability gaps.

According to IISS, these gaps are most prevalent in **military HARDWARE** (Intelligence, surveillance and reconnaissance (ISR) aircraft, satellites, space-launch capacity, reach of land-attack weapons), **SOFTWARE** (Sovereign hyperscale cloud-computing capacity, inter-operability problems between cloud infrastructure, lack of established frameworks and standards for cloud computing), **integrated air and missile defence (IAMD)**, logistics and large land manoeuvre formations.

In addition, **NATO's Minimum Capability Requirements document** advocates **significant increases** in combat brigades, corps & divisions, ground-based air defence units, and military personnel – a large proportion of which falls under NATO's European allies.

## Amphibious edge: NATO's High North and Baltic strategy

NATO's strategy for the High North and Baltic Sea includes "deterrence by denial," forward deployment of brigade-size units (especially in Latvia and Lithuania), and "Baltic Sentry" (frigates, maritime patrol aircraft, and naval drones).

Finland and Sweden's integration aims to turn the Baltic into a "NATO lake" thereby enhancing protection of critical undersea infrastructure and prioritizing military drills for rapid response to Russian threats that can include hybrid, asymmetric warfare.

## Integrated deterrence

While it is highly improbable that US will be completely replaced by European defence capabilities in any given timeframe in Europe, an IISS study estimates that such scenario could incur a **cost of US\$1 trillion** and 128,000 additional troops over a 25-year time horizon.

A recent NATO workshop reiterated **sustained US commitment to NATO** as part of which it will continue to provide **critical capabilities** like ISR and C2 (Command and Control) in Europe against the Russian offensive.

However, European NATO allies will still have to carry the war burden through conventional means. This may require not only higher conscription rates, but also speedy production of arms & ammunitions, less bureaucratic arms exports, higher supply chain resilience, and rapid innovation cycles (or R&D).

In short, Europe needs **collective defence and integrated deterrence**, and the lessons learned from Russia's war of aggression against Ukraine will offer ample best practices to emulate going forward.



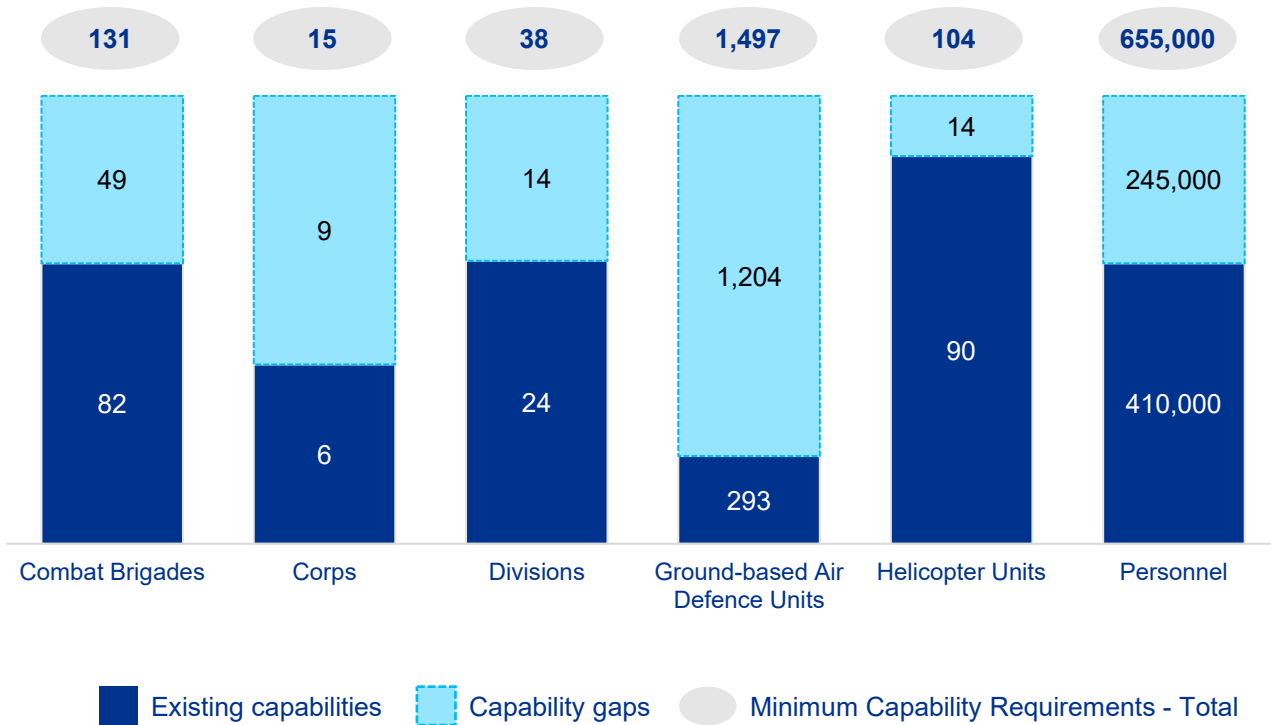
Europe must rapidly close its capability gaps to sustain the transatlantic alliance. This refers to both the conventional sphere and new state-of-the-art unmanned technologies."

- **Rear Admiral (retd.) Jürgen Ehle**, Former Senior Military Advisor at NATO and EU Security & Defence



# Closing the gaps: NATO capability shortfalls and alliance modernization

## Identified NATO capability gaps, 2024



Source: Defence Express, [NATO is 49 Brigades Short of Minimum Requirements: Half the U.S. Army or 4x Times the Bundeswehr](#), accessed in October 2025



# 05

**Arsenal of innovation:  
Defence tech and  
recent war lessons**



# Arsenal of innovation: Defence tech and recent war lessons

## Rapid innovation cycles

Russia's war of aggression against Ukraine has unveiled one of the most important lessons of modern warfare – the side which adapts and scales its defence innovations the fastest, is likely to have the upper hand.

According to the Center for Strategic and International Studies, the shortening of defence R&D timelines by Ukraine from months (in 2023) to weeks (in 2025) has been enabled by **decentralized and rapid frontline testing, outsourcing of R&D and rapid manufacturing** to private companies, a **thriving defence tech cluster** (BRAVE1), and **streamlined bureaucracy** for expedited approval and procurement.

This **agile defence ecosystem** has empowered Ukraine to take on a much larger adversary by relentlessly focusing on affordable, adaptable and scalable Unmanned Aerial Vehicles (UAVs) or drones for military reconnaissance, and electronic warfare.

It is worthwhile to note Ukraine has **acquired more than 50% of weapons and equipment** via military aid (Q4 2023 - Q2 2025) from the defence companies rather than from donor countries or third-party armed forces, according to the Kiel Institute.

## Featured credentials: Defence capability assessments & development initiatives

KPMG Germany, tasked by the European Defence Agency (EDA), conducted open-source studies on lessons from Russia's war of aggression against Ukraine. Findings informed the EU Capability Development Plan (CDP) review in 2023. Latest and ongoing system-level studies from 2025 onwards support single collaborative capability development initiatives focused, for instance, on loitering munitions and unmanned ground vehicles.

In addition, KPMG's services enable dual-use tech scaling, public-private collaboration, and hyperscaler alliances to ensure compliance, resilience, and rapid deployment across domains.

## The future of warfare

The European defence industry faces a **dual challenge**: scaling up production at speed while modernising outdated industrial structures. At the same time, it is entering a period of unprecedented technological acceleration.

**Innovation cycles** in AI, unmanned systems, cloud infrastructure, and software are advancing faster than governance, funding, and security frameworks can adapt. **Cyber, space, and the electromagnetic spectrum** are fast emerging as contested domains.

While new capabilities promise decisive operational advantages, they also create vulnerabilities in terms of oversight, dependence on hyperscalers (tech giants), and safeguarding sensitive data. **Start-ups and dual-use innovators** are becoming critical actors, but their access to funding remains constrained in Europe.

The Ukraine example shows that **international and cross-sectoral partnerships** are essential to maintain technological edge, overcoming fragmented approaches that can hinder scale and interoperability.



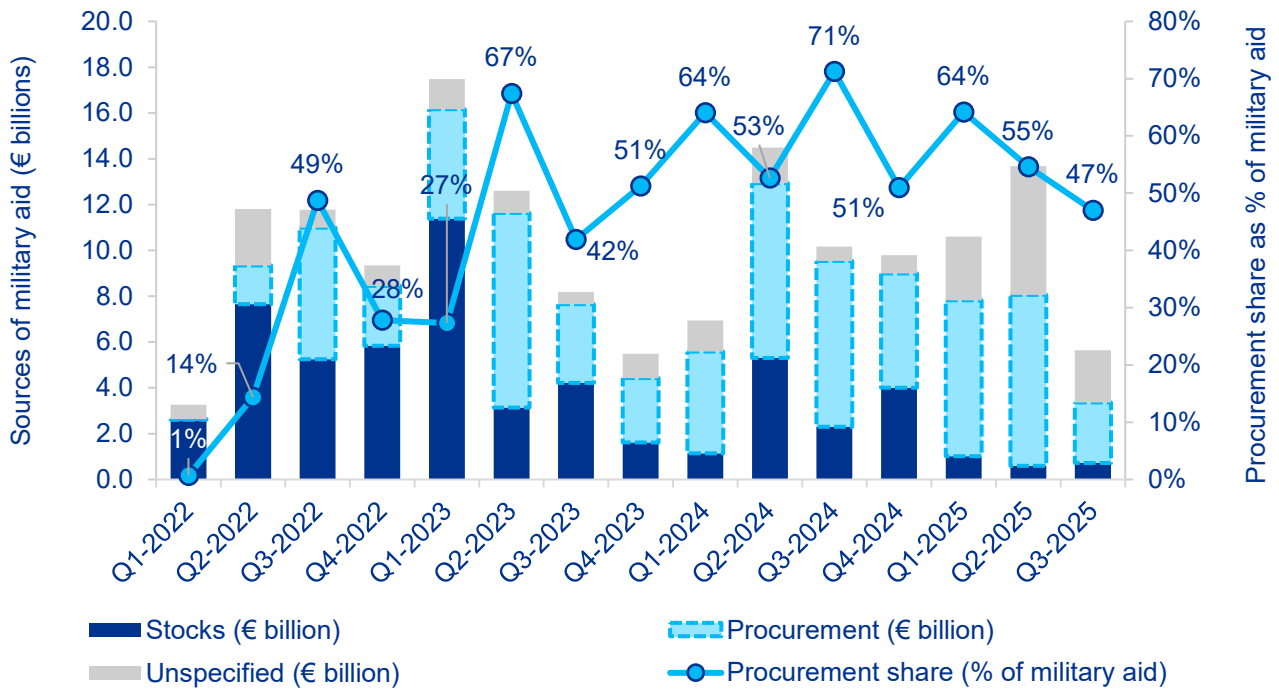
Ukraine has become a testing ground for defence innovation - the ability to integrate legacy with high-tech kit appears to be one of the strongest features of this war."

- Leonid Graf von Keyserlingk,  
EMA Defence Hub Executive  
Manager, KPMG in Germany



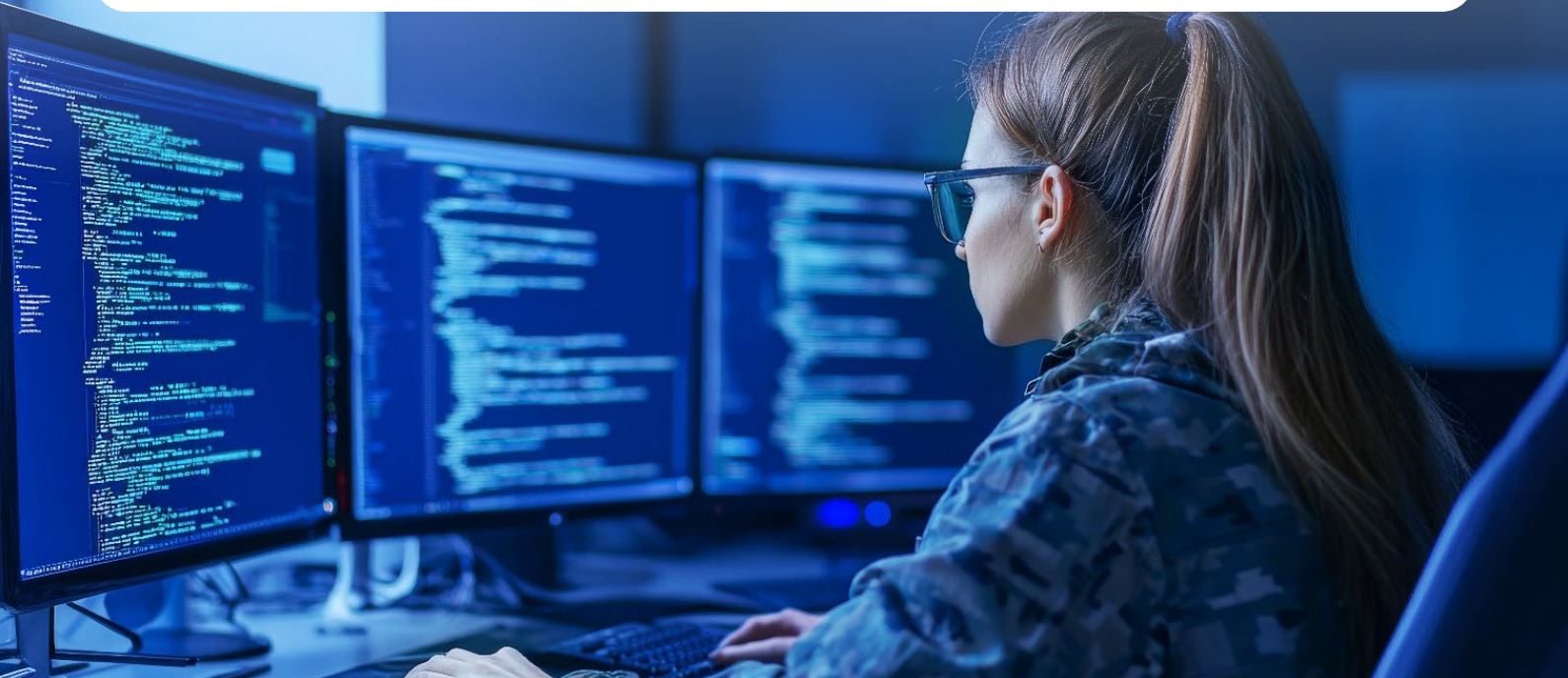
# Arsenal of innovation: Defence tech and recent war lessons

Sources of military aid to Ukraine: Procurement vs. Stocks, Q1 2022 – Q3 2025



Note: Procurement refers to weapons and equipment acquired from defence industries, while stocks denote weapons and equipment drawn from the stockpiles of donor countries or third-party armed forces.

Source: Ukraine Support Tracker Data by Kiel Institute, <https://www.kielinstitut.de/topics/war-against-ukraine/ukraine-support-tracker/>, December 2025



# 06

**Procurement under fire:  
Reforming defence  
acquisition for speed  
and sovereignty**



# Procurement under fire: Reforming defence acquisition for speed and sovereignty

## Fragmented priorities

The fragmented nature of the European defence industry and national defence procurement rules can make it difficult to scale up arms & ammunitions production, make high investments in military R&D, and deliver economies-of-scale benefits, according to Bruegel. The result: Long innovation & investment cycles, and difficulties in **standardization & interoperability** of military equipment.

Despite being large economies, EU member states like Germany and France not only acquire small quantities of defence equipment annually but procure most of them from their domestic suppliers. This has led to **fragmentation of defence equipment** at the pan-European level – for example, Europe owns and operates 12 different battle tanks, according to the European Defence Agency.

Though there are joint projects (e.g., KNDS for battle tank production) to reduce this fragmentation, **collaborative procurement of defence equipment** in Europe only amounted to 18% of total defence equipment procurement spending in 2022 – below the 35% as suggested by the European Defence Agency, though this is improving in recent years (see the figure on next page).

## Featured credential: Strategic procurement transformation

KPMG Norway has been supporting Norway's defence sector through advisory services on procurement, cloud transformation, and infrastructure - covering materiel management, digital modernization, and real estate development since 2018.

KPMG firms generally undertake advisory work on strategic procurement, joint programs, EU-aligned policies and capability acquisitions as well as implementing KPIs to monitor procurement performance.

## Strategic autonomy

For decades, EU initiatives focused on fostering a strong **European Defence Technological and Industrial Base (EDTIB)**, channeling resources primarily to prime defence industries. Since 2022, however, the urgency of filling immediate capability gaps has driven a surge in **Modified Off-The-Shelf (MOTS) procurement**, often from non-European suppliers like South Korea. Its Light Combat Aircraft (LCAs), self-propelled howitzers, and Main Battle Tanks (MBTs) have found strong demand in countries like Poland, Romania, Finland, Norway, and Estonia.

While **rapid MOTS procurement** plays on speed (faster deliveries), cost efficiency (economies-of-scale) and higher interoperability (among NATO members) benefits, a constant reliance on the same can lead to long-term loss of competitiveness in industrial production, loss of strategic autonomy, dependency risks, and stagnation of innovation.

To **balance MOTS with strategic autonomy**, the EU has taken some steps like the defence financing instruments (EDIP, SAFE, EDIRPA), joint purchasing and R&D programs, and **new EU defence procurement requirements** under the European Defence Industrial Strategy (EDIS), according to the International Institute for Strategic Studies (IISS).



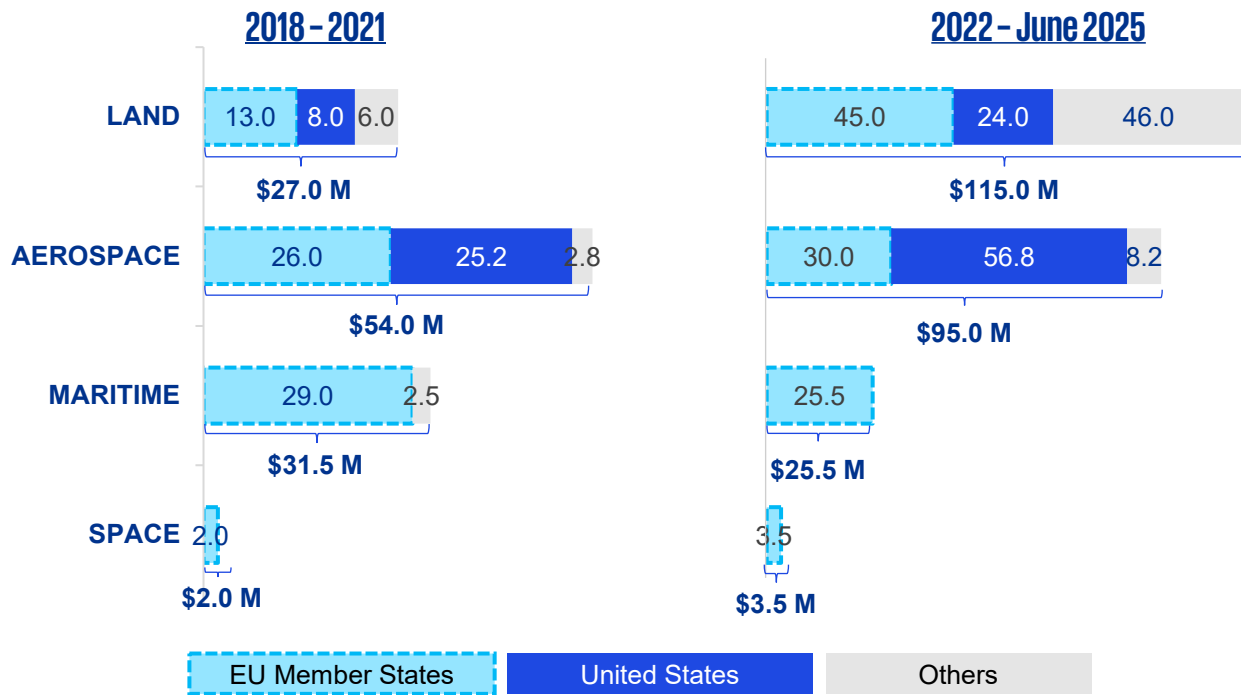
Beyond MOTS, military procurement should prioritize supply chain resilience, agile development frameworks, and a unified defence industrial policy - budget and competition policies are primates of yesteryear.”

- **Dr. Andreas J. Schmidt**,  
Partner in Public Sector  
Consulting, KPMG in Germany



# Procurement under fire: Reforming defence acquisition for speed and sovereignty

Defence procurement contracts in the EU (US\$ million), 2018-2021 vs. 2022 – June 2025



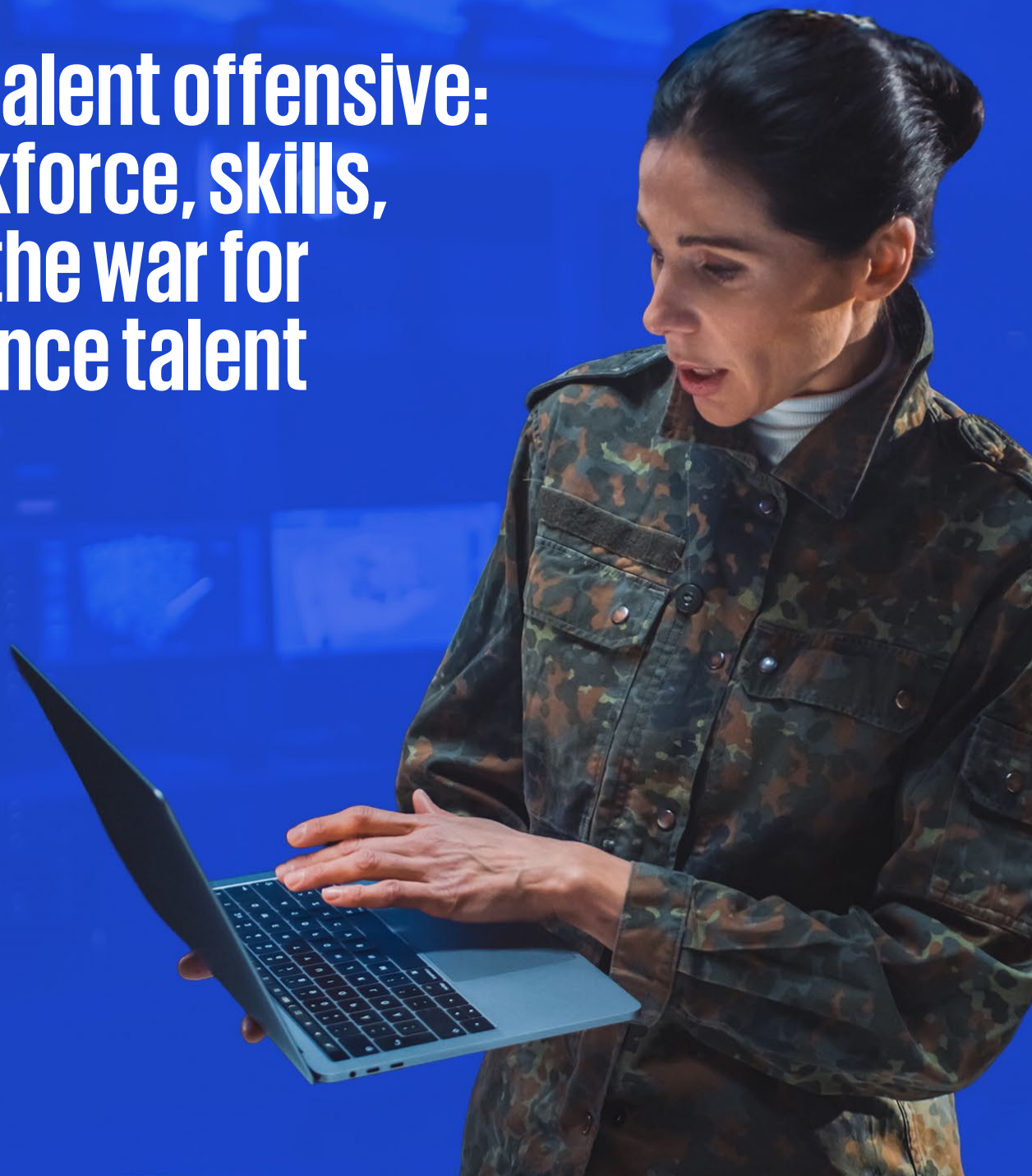
Note: "Others" include non-EU and non-US countries.

Source: Estimates based on IISS analysis and its Military Balance+ database, <https://www.iiss.org/online-analysis/military-balance/2025/09/changing-gear-europe-steps-up-defence-procurement/>, September 2025



# 07

**The talent offensive:  
Workforce, skills,  
and the war for  
defence talent**



# The talent offensive: Workforce, skills, and the war for defence talent

## Demographic squeeze

The European defence sector faces a growing talent crisis, driven by demographic decline and intensified competition for skilled workers.

Compared to 1982, the EU has 50 percent fewer 18-year-olds, leaving a **shrinking pipeline of young professionals**, according to the European Commission. This demographic squeeze is fueling a “war for talent” across industries, while policies around conscription and compulsory service create additional macroeconomic pressures.

Without targeted strategies to attract, develop, and retain skilled personnel, defence organizations risk falling short of their long-term operational and technological requirements.

Key challenges include: (1) **Shrinking talent pool**: A smaller workforce cohort reduces the number of young people entering technical and defence-related professions; (2) **War for talent across sectors**: Competition with civilian industries makes it difficult to recruit and retain top talent; (3) **Impact of conscription**: Mandatory service policies can distort labor markets; (4) **Retention and reskilling needs**: Organizations struggle with hiring and reskilling existing staff.

## Featured services: Workforce transformation and management

KPMG firms help defense organizations plan for demographic shifts with strategic workforce solutions, global talent acquisition, and market expansion to secure critical skills. KPMG firms drive this transformation through the **defence academy**, reskilling for AI and dual-use tech, and cultural change initiatives to attract younger generations, boost retention, and stay competitive.

KPMG’s **veteran connect** and **executive transition** programmes embed operational and strategic military expertise into its consulting delivery.

## Defence academies and upskilling

New models for training, retention, and reskilling include: (1) **AI & data analytics** in training and curricula; (2) **Immersive & continuous learning** via simulation-based training and use of Virtual Reality/Augmented Reality; (3) **Skill-focused transition pathways** and comprehensive long-term support for veterans; (4) **Personalized career paths** to retain skilled personnel via internal upskilling, micro-certifications & badges, and civilian cross-training.

A case in point is **KPMG’s defence academy** which serves as a powerful vehicle to build and sustain defence industry-specific skills among KPMG professionals who might be ex-military. It combines structured training curricula with project-based learning for its consultants and select client stakeholders.

Another example is that of the **Defence Education Enhancement Programme (DEEP)** from NATO which partners with countries to enhance and close gaps in military education and training as well as develops state-of-the-art curriculum and faculty.

**Military personnel** account for almost a third of total defence expenditure across Europe and these new models of training & development might optimize these costs.



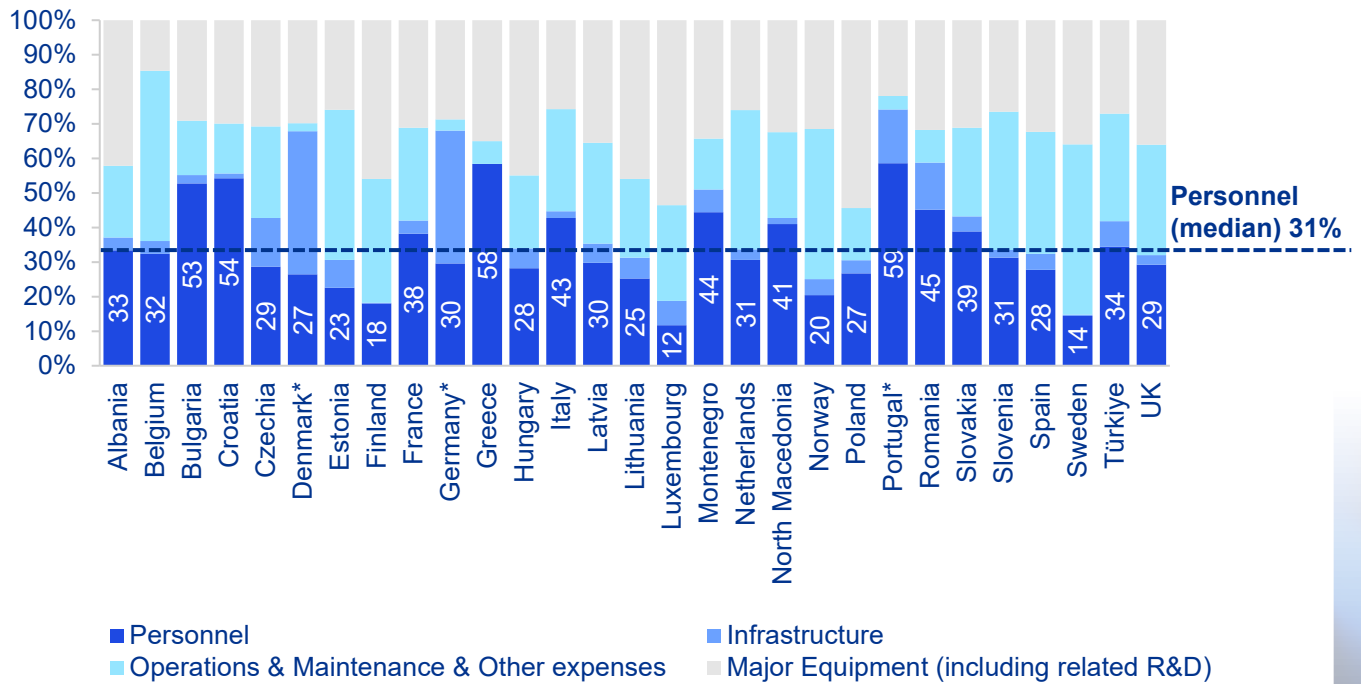
There’s one parameter in defence that is beyond the grasp of armed forces or even politics - Demographics. Armed forces should be seeking to do more with less people these days.”

- **Stefan Hefter**,  
EMA Head of Defence  
Partner, KPMG in Germany



# The talent offensive: Workforce, skills, and the war for defence talent

Key categories of defence expenditure (as % of total defence expenditure), NATO's European allies, 2025 (estimated)



\* For Denmark, Germany and Portugal, 2024 estimated values are displayed as 2025 numbers are not available.

Source: Press release from NATO's public diplomacy division, <https://www.nato.int/content/dam/nato/webready/documents/finance/def-exp-2025-en.pdf>, accessed in December 2025

# 08

**A way forward**



# A way forward

## EU member state governments (Purchasers & policymakers)



### Accelerate defence spending and strategic autonomy

- Commit to the new Readiness 2030 targets ensuring both core defence and critical infrastructure protection are funded.
- Consider “Buy European” policies to reduce dependency on non-EU suppliers and foster indigenous capability development.



### Invest in workforce development and talent retention

- Address the demographic squeeze by launching targeted programs for attracting, training, and retaining defence talent.
- Collaborate with industry and academia to create defence-specific education pathways and upskilling initiatives.



### Reform procurement for speed and sovereignty

- Streamline national procurement rules to enable faster acquisition cycles, reduce fragmentation, and support joint EU projects.
- Embrace Modified Off-The-Shelf (MOTS) procurement for immediate needs, but balance with long-term capability planning.
- Explore and expand defence cooperation with countries outside the EU – a prime example being the recent EU-India Defence deal.



### Foster cross-border collaboration and regulatory harmonization

- Work with other member states to harmonize regulations, facilitate cross-border investments, and build resilient supply chains.
- Support pan-European training initiatives and international networks for knowledge sharing and operational integration.



**Launch joint EU-wide “Defence talent academies” and exchange programs to systematically build a pan-European defence workforce, leveraging both military and civilian expertise for resilience.**

# A way forward

## EU defence industry companies (Manufacturers & suppliers)



### Scale up production and close capability gaps

- Continue to utilize innovative funding instruments (EDF, EUDIS, SAFE, EDIP, ASAP 2.0, EDIRPA) to support both large-scale projects and smaller innovators.
- Adopt lean manufacturing principles to scale up manufacturing of autonomous defense platforms.



### Embrace digital transformation and compliance

- Integrate digital and AI-driven solutions into manufacturing and operations to bring more efficiency and productivity.
- Establish robust governance frameworks for emerging technologies and ensure compliance with EU and NATO standards.



### Secure supply chains for critical raw materials

- Develop strategies to secure access to critical raw materials (e.g., gallium, tungsten, cobalt) and reduce exposure to global supply shocks.
- Build redundancy and transparency into supply chains to withstand geopolitical disruptions.



### Build talent pipelines and foster innovation ecosystems

- Work with educational institutions and defence academies to nurture young talent.
- Support start-ups and SMEs through mentorship, funding, and collaborative R&D programs to drive innovation and competitiveness.



Create “Battlefield labs” and rapid prototyping hubs, modeled after Ukraine’s agile defence tech ecosystem, to test and scale innovations in real time with direct feedback from end-users.

# A way forward

## European Union (EU) institutions



### Expand and diversify defence funding mechanisms

- Continue to develop and deploy innovative funding instruments (EDF, EUDIS, SAFE, EDIP, ASAP 2.0, EDIRPA) to support both large-scale projects and smaller innovators.
- Ensure funding is accessible and flexible to meet evolving needs.



### Promote strategic autonomy and industrial resilience

- Set clear eligibility criteria for procurement to encourage self-sufficiency in arms and ammunitions manufacturing.
- Support the further evolution of a robust European defence Technological and Industrial Base (EDTIB) by supporting startups that not only offer software, and niche capabilities, but also develop full-spectrum platforms.



### Drive regulatory adaptation and market integration

- Support efforts to harmonize defence regulations across member states, reduce barriers to cross-border procurement, and facilitate market access for EU-based companies.



### Champion workforce transformation and international collaboration

- Invest in defence education, training, and veteran integration programs.
- Foster international partnerships and knowledge exchange to build a sustainable and skilled defence workforce.



Develop a “Defence innovation passport” system to allow SMEs and start-ups to access funding, testbeds, and cross-border procurement opportunities seamlessly across the EU.

# A way forward

## North Atlantic Treaty Organization (NATO)



### Identify and address capability shortfalls

- Work closely with EU allies to map and close gaps in hardware (ISR, satellites, IAMD), software (cloud, interoperability), and personnel.
- Prioritize rapid production and deployment of critical capabilities.



### Accelerate innovation and R&D collaboration

- Promote cross-sectoral partnerships and battlefield labs for rapid testing and scaling of new technologies.
- Share lessons learned from Ukraine and other theaters of war to inform best practices.



### Enhance integrated deterrence and collective defence

- Support forward deployment strategies (e.g. Baltic Sentry and the High North) and facilitate joint military exercises to enhance deterrence, improve situational awareness and enable early response.
- Encourage interoperability and standardization across member states.



### Support talent development and veteran transition

- Collaborate with EU institutions and member states to develop training, upskilling, and broad-ranging transition programs for military personnel and veterans.
- Leverage NATO's DEEP program to close gaps in military education and faculty development.



Establish a “NATO-EU Defence Innovation Council” to coordinate technology standards, dual-use innovation, and rapid capability development, ensuring both organizations move in lockstep on emerging threats.

# 09

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# Why KPMG?

## Accolades



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## Operating Model



**Global Defence Expert Network**

KPMG's Defence practice brings together more than **8,000 specialists from 22 different member firms** through KPMG's defence specialist network



**Military Competence Integration**

Through the **veteran connect** and **executive transition programmes**, KPMG firms embed operational and strategic military expertise directly into their consulting delivery



**KPMG Defence Academy**

The **defence academy** is designed to help build and sustain defence-industry specific skills that combines structured training curricula with project-based learning

## Country Examples



Improving public finance & spending for MoD; Defence and sustainability strategy



Supporting German Defence clients on various military procurement, IT transformation projects and defence assessments



Supporting various Defense Programs and large platforms with production operations, maintenance and logistics planning and readiness

## Key Services



**Procurement & Programme Management**

Defence procurement, governance & collaboration to reduce delays and improve outcomes



**Workforce & Skills Development**

Defence talent pipelines through strategic planning, recruitment, and upskilling initiatives



**Supply Chain & Industrial Resilience**

Defence supply chains via stress-testing, dual sourcing, and regional diversification strategies



**Technology & Digital Transformation**

Defence innovation with AI, smart factories, cyber, and dual-use tech integration



**Finance & Regulatory Advisory**

Defence funding through ESG alignment, regulatory navigation, and financial product structuring



**Public Trust & Strategic Autonomy**

Transparency, stakeholder engagement, and long-term European defence capability development

## Service Tiers

- ✓ Tailored solutions. E.g., Defence Real Estate
- ✓ Specialised services. E.g., Market entry for non-EU firms
- ✓ Established Services. E.g., Procurement and Cyber
- ✓ Baseline Capabilities



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