

# STRATEGY

## **Armaments and Defence Industry Development Support Strategy of the Czech Republic till 2030**





Prague 2022

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## USNESENÍ VLÁDY ČESKÉ REPUBLIKY

ze dne 19. července 2021 č. 651

### **o Strategii vyzbrojování a podpory rozvoje obranného průmyslu České republiky do roku 2030**

#### **Vláda**

**I. schvaluje** Strategii vyzbrojování a podpory rozvoje obranného průmyslu České republiky do roku 2030 (dále jen „Strategie“) obsaženou v části III materiálu čj. 766/21;

#### **II. ukládá**

1. členům vlády a vedoucím ostatních ústředních správních úřadů realizovat opatření podle bodu I tohoto usnesení,
2. ministru obrany jedenkrát ročně informovat vládu o plnění Strategie v rámci Zprávy o zajišťování obrany státu.

#### **Provedou:**

členové vlády,  
vedoucí ostatních ústředních správních úřadů

#### **Na vědomí:**

hejtmani,  
primátor hlavního města Prahy

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místopředsdkyně vlády a ministryně financí

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# STRATEGY



# 1. Strategy development

## 1.1 Acknowledgements

The Armaments and Defence Industry Development Support Strategy of the Czech Republic till 2030 (the “Strategy”) was prepared by experts of the MoD Industrial Cooperation Division (ICD) and the MoD Armaments and Acquisition Division (AAD) in cooperation with additional subject matter experts of the Ministry of Defence of the Czech Republic (MoD) and other stakeholders.

## 1.2 Strategy development

The Strategy was developed in accordance with the Government Resolution dated 28 January 2019, No. 71 on the Methodology of Development of Public Strategies, with a view to the structure and format of the strategies realised so far.<sup>1,2</sup>

The Strategy is presented in accordance with the task under the Armaments and Defence Industry Development Support Strategy till 2025 to update the Strategy based on the revision of strategic policies relative to defence. That involves both international strategic policies of the European Union and the North Atlantic Treaty Organisation, and national strategies (Defence Strategy of the Czech Republic authorised in 2017, Long-term Outlook for Defence 2035, and the Czech Armed Forces Development Concept till 2030 – CAFDC 2030).

Those policies reflect two new major trends – the uncertain international security environment with new threats and the growing importance of technologies. The Armaments and Defence Industry Support Strategy 2025 could not adequately reflect those new trends at the time of its inception, and must therefore be updated. The trends have the following consequences:

### 1. *Uncertain international security environment and new threats*

The recent years have seen a growing instability of the international system, which is contested by emerging powers and new actors in their quest to change the status quo that builds on multilateral cooperation and liberal-democratic values. To that effect, new activities are used, usually under the threshold of conventional conflict. These new threats make use of global economic, social and technologic integration, and target vulnerabilities in strategic sectors, supply chains or socially important institutions. The Strategy therefore needs to be revised in order for the Czech Republic to be able to affectively face those threats and preserve its national defence capability.

### 2. *Growing importance of technologies*

Technologies have become an integral part of most of the economic and security sectors while the pace of evolution of emerging and disruptive technologies have accelerated. States in control of globally used technology have gained a significant strategic advantage. New technology trends are also critical in the defence industry, because attaining edge in this segment may change the present power equilibrium. As a result of this development, the competition among countries intensifies. It is therefore essential for the Czech Republic, the European Union and the North Atlantic Treaty Organisation to retain and foster their existing technological competitive advantage in order to maintain the current security and defence posture. Thus, the Strategy needs to be updated to reflect and highlight that development and the ensuing objectives.

The updated strategy builds on a continuous evaluation of the original strategy, which is also reflected to certain extent in the present updated strategy till 2030.

The implementation of the present strategy will be provided through the performance of individual measures designed to fulfil strategic and specific goals. Every proposed measure has been assigned a priority, timeframe of performance and an output indicator enabling the tracking of performance on the objective value.

The conclusions of monitoring and evaluation of the performance on specific objectives and measures will be submitted to the Government of the Czech Republic on annual basis as an annex to the Report on ensuring of national defence.

<sup>1</sup> National Armaments Strategy, authorised by the Government Resolution No. 875 of 15 September 2004.

Armaments and Defence Industry Development Support Strategy, authorised by the Government Resolution No. 1166 of 19 December 2016.

<sup>2</sup> Strategic Alternatives 2016–2020 (STRATAL), long-term plan of the organisation's development.



## 2. Background

<b>Basic information on the strategy</b> (according to the Methodology of Public Strategy Development, Government Resolution No. 71, from 28 January 2019 )	
Name	Armaments and Defence Industry Development Support Strategy of the Czech Republic until 2030
Category	Strategy – long-term strategic policy (10 years)
Tasking authority	Government of the Czech Republic
Administrator	Minister of Defence
Coordinator	Deputy Minister for the Management of the Industrial Cooperation Division of the Ministry of Defence of the Czech Republic
Developed in	2021
Authorised by	Government of the Czech Republic
Date of authorisation	19 July 2021
Form of authorisation	Resolution of the Government of the Czech Republic
Last amendment	
Related legislation	Act No. 219/1999 Coll., on the Armed Forces of the Czech Republic, as amended, Act No. 134/2016 Coll., on Public Procurement, as amended, Act No. 240/2000 Coll., on Crisis Management and on amendment of certain acts (Crisis Act), as amended, Directive 2009/81/EC of the European Parliament and the Council of 13 July 2009 on the Coordination of Procedures for the Award of Certain Work Contracts, Supply Contracts and Service Contracts by Contracting Authorities and Entities in the Fields of Defence and Security and on the amendment of directives 2004/17/EC and 2004/18/EC, Resolution of the Government of the Czech Republic No. 1166 from 19 December 2016 on the Armaments and Defence Industry Development Support Strategy of the Czech Republic until 2025.
Implementation period	1 January 2021 – 31 December 2030
Implementation liability	Ministry of Defence
Implementation budget	No requirements for additional resources from the MoD budget



## 2.1 Context of the development and implementation of the Strategy

The Strategy directly follows up on the Armaments and Defence Industry Development Support Strategy of the Czech Republic until 2025. It is designed to further systemically develop the armaments and support the development of the Czech defence industry with regards to the MoD's requirements. In the context of armaments, the Strategy sets the main trends, goals, principles and measures to provide support to the Armed Forces of the Czech Republic in fulfilling their missions. These missions include preparing for defence, defending the country against external attacks and fulfilling Czech Republic's collective defence commitments under international treaties. The Strategy also supports the Czech defence industry by setting a new approach to the provision of sustainability and development of the defence industry capabilities, creating a system of security of supply, purchasing military materiel<sup>3</sup> and services based on the evaluation of the status of the Armed Forces of the Czech Republic, the development and future prospect of the national and European defence and security materiel market, the development of national economy and changes in armaments.

The Strategy is in line with the principal strategic security policy documents – the Security Strategy of the Czech Republic<sup>4</sup>, Defence Strategy of the Czech Republic<sup>5</sup>, Long-term Perspective for Defence 2035<sup>6</sup>, CAFDC 2030, the Mobilisation Concept of the Armed Forces of the Czech Republic and the Czech Republic's Territory Operational Preparation Concept.<sup>7</sup> The primary reference is the Security Strategy of the Czech Republic.<sup>8</sup> Those policy documents reflect the NATO Strategic Concept and the EU security policies, which define current most serious threats to the security of the Czech Republic. The aim of this Strategy is to answer the requirements defined in the Czech Armed Forces Development Concept as well as the concepts of other components of the Armed Forces of the Czech Republic and, at the same time, support the development of the Czech defence industry.

The subject matter of this Strategy is the approach to armaments of the Armed Forces of the Czech Republic and the support of development of the Czech defence industry in peace time. The needs of the Armed Forces of the Czech Republic including the needs in a state of war (mobilisation needs) are not considered under this Strategy.<sup>9</sup>

Experience from the development of previous crises showed that it is necessary to develop and check the preparedness of the industry to provide security of supply even in peacetime. This is why the strategy defines a suitable setup of the security of supply and relations between the state and strategic suppliers. Mobilisation supplies only complete the provisions, stocks and prepared capacities. The MoD also follows the principle which says that an armed forces built in peacetime is the core of armed forces in wartime. The MoD therefore provides adequate reaction to shifts of the security environment.



3 Section 2 of the Act No. 219/1999 Coll., on the Armed Forces of the Czech Republic, as amended.

4 Security Strategy of the Czech Republic, authorised by the Resolution of the Government of the Czech Republic No. 79 on 4 February 2015.

5 Defence Strategy of the Czech Republic, authorised by the Resolution of the Government of the Czech Republic No. 194 on 13 March 2017.

6 Long-term Perspective for Defence 2035, authorised by the Resolution of the Government of the Czech Republic No. 187 on 18 March 2019.

7 Mobilisation Concept of the Armed Forces of the Czech Republic, authorised by the Resolution of the Government of the Czech Republic No. 51 on 23 January 2013 and the Czech Republic's Territory Operational Preparation Concept, authorised by the Government of the Czech Republic No. 79 on 25 January 2017.

8 Security Strategy of the Czech Republic, authorised by the Resolution of the Government of the Czech Republic No. 79 on 4 February 2015.

9 The functioning in a state of national emergency and the state of war is covered the 2018 regulation "Regulation MOB-1-3 Material resourcing for build-up of Armed Forces of the Czech Republic dated 2018".

## 2.2 Definition of terms

**For the purposes of this document, the terms are defined as follows:**

**Armaments** – a set of principles, processes and activities used to achieve the required level of capacity of the Armed Forces of the Czech Republic through providing material resources (military materiel and services).

**Armed Forces of the Czech Republic** – in the context of this document, this term is defined more broadly than in the legal definition. In the context of this document, this term encompasses the Czech Armed Forces, the Military Office of the President of the Republic and the Castle Guard<sup>10</sup>, Military Police and Military Intelligence. The Armed Forces of the Czech Republic are the primary instrument of implementing the defence policy of the Czech Republic.

**Contract on mobilisation supply** – entering into contractual relationships between the government and the supplier of military materiel, by which the supplier undertakes to preferentially satisfy the demand of the state in a state of emergency and state of war, and to maintain its capabilities to be able to satisfy such demand.

**Czech defence industry** – state and public economic entities operating on the territory of the Czech Republic capable of manufacturing and supplying military materiel and services necessary for the activities of the Armed Forces of the Czech Republic, and managing the military materiel life cycle.

**Defence industry** – economic entities of the defence and security industry capable of manufacturing and supplying military materiel and services necessary for the activities of the armed forces.

**Economic mobilisation** – organisational, material, personnel and other measures, which are used by the MoD to provide mobilisation supplies for the needs of the Armed Forces of the Czech Republic in a state of emergency or war<sup>11</sup>.

**(Essential) security interest of the state** – a set of long-term priorities of the state in the fields of defence and security, which provides the basis for the security of its citizens, property, infrastructure and the inviolability of the state territory. Providing economic and material security to the Czech Republic and strengthening the competitiveness of its economy is one of the fundamental strategic interests defined in the Security Strategy of the Czech Republic.<sup>12</sup>

**Extraordinary relationship** – a contractual relationship on mobilisation supply between the contracting authority and the supplier of military materiel. The supplier's entire physical production of military materiel and service provision must take place in the territory of the Czech Republic and must fulfil further conditions for entering into an extraordinary contractual relationship, which are defined in the very contract.

**G2G support** – set of government defined measures aimed at supporting the export of military materiel of a Czech supplier to a government of another state, as broadly defined, including arranging the order, supporting the offer, providing non-financial guarantees, technical certificates etc.

**Interoperability** – the ability to act together in operational deployment, entailing the necessity to meet a range of requirements in the fields of mutual communication, training and doctrinal unification. In armaments, interoperability is the ability of different systems to work together, provide services to each other and achieve mutual cooperation within the NATO nations' and EU Member States' armed forces. Interoperability<sup>13</sup> in armaments is also achieved through observance of standards and their compatibility.

**Life cycle of military materiel (product)** – the timespan of the relevant military materiel from the planning phase and the acquisition all the way through to decommissioning. Life cycle of military materiel in the context of NATO standards<sup>14</sup> divides into six stages: conception, development, acquisition (production), use, provision and decommissioning.

**Military materiel** – military equipment, military armament, military systems and military devices used to fulfil the missions of the Armed Forces of the Czech Republic. Specific systems are subject to the Government expert supervision.<sup>15</sup>

**Mobilisation supply** – supply necessary for the support of the armed forces and security forces, implemented after the state of war and state of emergency has been declared.

<sup>10</sup> Section 3(2) of the Act No. 219/1999 Coll., on the Armed Forces of the Czech Republic, as amended.

<sup>11</sup> Act No. 241/2000 Coll., on Economic Measures for Crisis Situations and on the amendment of some related acts, as amended.

<sup>12</sup> Article 14, 77, 80, 90 and 91 of the Security Strategy of the Czech Republic.

<sup>13</sup> AC/259-N(2009)0022, NATO Interoperability policy – Definition „Interoperability is the ability to act together coherently, effectively and efficiently to achieve Allied tactical, operational and strategic objectives“.

<sup>14</sup> AAP-48, Ed. B, version 1, NATO System Life Cycle Processes.

<sup>15</sup> Act No. 38/1994 Coll., on Foreign Trade in Military Materiel and amending the Act No. 455/1991 Coll., on Trade Licensing (Trade Licensing Act), as amended and Act No. 140/1961 Coll., The Criminal Code, as amended.

**Operational preparation of the state territory** – a set of military, economic and defence measures planned and put into practice in peacetime, in a state of emergency or in the state of war with the aim to create conditions on the territory of the given state, which are necessary for the fulfilment of the armed forces' missions and hence for catering for the needs of the population.

**Order** – a public order or a public order in the field of defence or security<sup>16</sup>.

**Property stocks** – prescribed quantity and items of movable property to cover proprietary needs that ensue from the performance of the MoD's tasks. In terms of the purpose and the time of use, they are defined as follows:

- a. Stocks of consumables;
- b. Stocks of property for supporting combat activity.

**Security of supply** – set of measures to provide the supply of military materiel in order to perform the functions of the Armed Forces of the Czech Republic and the Czech defence industry in fulfilling tasks of national defence. The aim of security of supply is a situation, where the risk of lowered Armed Forces' capabilities due to a lack of military materiel, energy and materials was minimized, and so were demographic and environmental threats.

**Service** – the provision for persons, organisational units of the MoD and the act of ensuring the functioning, maintenance and provision of both movable and immovable property.

**State defence enterprise** – a legal person conducting business activities with the property of the state, in its own name and own liability, whose founder is the MoD, in the name of the state. Such enterprise satisfies vital society-wide, strategic or public needs to the extent defined by the founding document. The supervisory board approves vital topics regarding the concept of enterprise development in the scope defined by the founder, with focus on strategy of production and service development. The founder appoints two thirds of its members.

**Strategic partner state** – a state with which the Czech Republic builds a long-term partnership with the aim to ensure and strengthen the capabilities of the Armed Forces of the Czech Republic.

**Strategic supplier of military materiel** – an economic entity with defence industrial capabilities in the territory of the Czech Republic, which are necessary to ensure the security of supply to maintain the national defence capacity. At the same time, the state controls and oversees its proprietary structure, information security and supply chains. Ensuring the defence industrial capacities of a strategic supplier is one of the vital priorities of the national security interests.

**Technology** – a set of techniques, capabilities, methods and processes, created by using scientific knowledge and used in the manufacturing of products or services and in achieving other set targets. *Military technologies* stand for the application of technologies in the production and operation of military materiel, which are used to satisfy the needs of national defence capacities.

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<sup>16</sup> Sections 14 and 187 of the Act No. 134/2016 Coll., on Public Procurement, as amended.









## 3. Armaments in a time of global instability

### 3.1 Security environment

The global security situation has recently transformed substantially and the existing strategies need to reflect that fact. International relations, which were once fairly clear and stable, are now more volatile and the security environment is becoming increasingly varied and unpredictable. It is also necessary to respond to new types of challenges such as cyber and hybrid threats and the use of commercial technologies for military purposes, especially in the field of information and communication technologies.<sup>17</sup> Examples thereof include hybrid interference by established or emerging powers, which seek to strengthen military and economic influence while weakening the main opponent (NATO, EU). In addition to these activities, it is necessary to pay attention to the ever increasing power and influence of these states, and to the intense demonstration of their military power and direct military participation in managing regional crises and conflicts. As the main medium-term threats for the state, the Czech Republic's security strategy regards revisionist policies of some world powers, increase in various forms of extremism, terrorism and proliferation of weapons of mass destruction and their means of delivery including ballistic missiles. The lasting deterioration of the security situation requires higher readiness for both military and non-military crises.

The European Allies in the North Atlantic Treaty Organisation, one of the key pillars of the security architecture of the Czech Republic, are surrounded by what is essentially a coherent belt of crises and conflicts both from south and east. Globalisation and the new nature of threats entail higher demands on the armed forces. In order to provide adequate reaction and readiness, armed forces must be able to engage in a broader scale of operations, which places additional and higher demands on armaments, equipment, training technologies and indeed training standards of military professionals.

New threats and the change of the security environment is also linked to the development and use of technology, which is more available and therefore more often employed. The development and broader proliferation of technology leads to the west losing their technological advantage. Military and technological superiority of the west can no longer be taken for granted. Pursuing and providing technological development has therefore become even more urgent. Therefore, one of the key priorities in ensuring national defence capabilities must not only be the upkeep but indeed development of national technological and industrial base. In a time when the security situation continuously changes, it is necessary to invest into the know-how, technological development and maintenance of necessary capacities of military materiel production, which ensures the fulfilment of defence missions and creates the basis for innovation. The requirement to increase our ability to innovate is a reaction to the transformation of the technological and social development. The selection of new technologies for armament, modernisation and development of the Armed Forces of the Czech Republic is therefore a sensitive and essential decision.

Due to the transformation of the global security situation, European Allies must invest extensive effort to guarantee their own security. The Czech task in this initiative is the strengthening of capabilities in order to ensure one's own security, as well as the supplementation of NATO capabilities. This means *inter alia* to provide know-how, technology and industrial capacity necessary to ensure national security as well as in contribution to NATO's capabilities. The strategy contributes to defining the system designed to maintain, strengthen and protect this know-how, technology and capabilities.

**The current security environment also places increasing demands on:**

- Flexibility in development of capabilities of the Armed Forces of the Czech Republic, including defence preparations for wartime build-up;<sup>18</sup>
- Rapid materiel resupply in relation to the current hybrid threats and related fast-appearing operational requirements;
- Higher readiness for crises.

<sup>17</sup> Security Strategy of the Czech Republic, p. 11-12.

<sup>18</sup> Mobilisation Concept of the Armed Forces of the Czech Republic, authorised by the Resolution of the Government of the Czech Republic No. 51 of 23 January 2013.



The above-mentioned requirements call for the MoD to conduct timely, safe and systemic acquisitions of property with the aim of achieving the goals set in the Czech Armed Forces Development Concept 2030 as authorised by the Government. This concept further defines strategic armaments projects, or specifically weapon systems required to develop the Czech Armed Forces as a backbone of the Armed Forces of the Czech Republic. The CAFDC also ensures compatibility with the Mobilisation Concept of the Armed Forces of the Czech Republic and the Czech Republic's Territory Operational Preparation Concept.

**Such timeliness depends on:**

- Sufficient and stable resourcing framework;
- MoD's cooperation with other relevant Ministries, especially the Ministry of Finance, on the development and realisation of investment plans.

Due to the volatility of the global security situation, it is key to properly select the suppliers for the Armed Forces of the Czech Republic, in order to ensure maximum security of supply. In case of crisis, the supply chain may suddenly break off and military materiel, which is key to the operability of the armed forces, would not be supplied. Providing a stable and predictable resource framework is a key requirement of the planning and development of the Armed Forces of the Czech Republic. As a general rule, the Czech Republic can only rely on its own production capabilities or the capabilities of its closest Allies in case of an unexpected emergency.<sup>19</sup> Therefore, it is necessary to strive for a maximum level of capacity development of the technological and industrial base of the Czech Republic as well as use of its products for armaments. This process brings, in turn, multilevel economic benefits and development in civilian domains.

The acquisition of military materiel is linked to information security and the security reliability of the supplier environment. Strategic armaments projects must respect the security of supply and the Czech Republic's sovereignty, both during the selection of the supplier and during the deliveries. This is only possible through the participation of the Czech defence industry in the delivery of military materiel and services, and especially by providing the military materiel's life cycle support in the Czech Republic. In a number of justified cases, the MoD requires that the delivery of military materiel and services is done through state enterprises established by the state when it comes to the security of supply and protection of the MoD's essential security interests.



<sup>19</sup> In this context, an unexpected emergency describes a situation, where the international security situation deteriorates rapidly, and supply chains of military materiel, components for the production of military materiel and raw materials are broken for various reasons.



## 3.2 Role of the Government in armaments

From the point of view of armaments, a successful deployment of the Armed Forces of the Czech Republic (both in peacetime and wartime) is conditioned by acquisition of interoperable military materiel on a high technology level and by the ability to provide the armed forces with military materiel in a deteriorating security environment. In accordance with NATO requirements and given the deterioration of the security situation, the time for preparation and deployment of the Armed Forces of the Czech Republic is being significantly reduced. Therefore, the MoD seeks to maintain, increase and optimise necessary industrial capabilities, including the production of vital reserves, which cannot be acquired in sufficient amounts in a short period of time, and support the building of critical defence infrastructure.

The MoD provides a connection between the armaments of the Armed Forces of the Czech Republic and the development of the Czech defence industry. Support and sustainability of the Armed Forces of the Czech Republic are based on the capabilities of the Czech defence industry as well as the capabilities of state enterprises sponsored by the MoD<sup>20</sup>, especially regarding:

1. Provision of arms and individual equipment;
2. Key land systems;
3. Key types of ammunition for the Land Forces and the Air Force;
4. Radar, surveillance and electronic warfare systems;
5. Ensuring at least minimum serviceability of air assets from domestic resources;
6. Communication and information infrastructure and its protection;
7. Cyber defence.

The armaments process of the Armed Forces of the Czech Republic takes place in peacetime, in the state of national emergency, as well as in the state of war. The mechanism of declaring a *state of national emergency* and *state of war* is defined in the constitutional order of the Czech Republic.<sup>21</sup> After declaring the states of crisis, i.e. the state of national emergency and state of war, armaments and acquisition of property are carried out in accordance with the Czech legislation.

The MoD provides an adequate level of standardisation and unification of military materiel.

The MoD perceives the Czech defence industry as a key element of the strategic development support of the capabilities of the Armed Forces of the Czech Republic, which contributes to strengthening of political, economic and diplomatic ambitions of the Czech Republic.

<sup>20</sup> State enterprises established by the Ministry of Defence ensure strategic interests of the state in accordance with Act No. 77/1997 Coll., on State Enterprises, as amended. In connection to Section 189 of the Act No. 134/2016 Coll., on Public Procurement, as amended, it is possible to place tenders with state enterprises in the domain of defence in the form of vertical cooperation.

<sup>21</sup> Article 39, 43 of the Constitutional Act No. 1/1993 Coll., of the Constitution of the Czech Republic, as amended, and Article 7 of the Constitutional Act No. 110/1998 Coll., on Security of the Czech Republic, as amended.



The MoD responds in an adequate manner to the security of supply. The security of supply of military materiel is a strategic domain for ensuring national security.

From the point of view of industrial capabilities, the MoD seeks ways to reach a level of technological equipment necessary to achieve planned capabilities of the Armed Forces of the Czech Republic.<sup>22</sup> A strong defence industry provides to its state the key component of its national defence capability – a military and technological base and security of supply. The more a state relies on importing weapon systems from abroad, the less it can be sure of its readiness for defence in case of crisis. That is why the MoD demands a maximum possible participation of the Czech defence industry and security of supply during the system life cycle in orders from abroad.

### 3.2.1 Sovereignty of decision-making in armaments

Sovereignty of a state is defined by its ability to make independent decisions, or with only minimal limitations, on all areas of the functioning of the state. Defence is perceived as the core of national sovereignty and decisions on military capabilities and their provision remain the sole responsibility of the Member States.<sup>23</sup>

In accordance with the Treaty on the Functioning of the European Union (TFEU) it is the responsibility of the Member States to define their vital national security interests. In accordance with the TFEU, an EU Member State can take measures it deems necessary to protect the vital interests of its security, which are connected to the production of armaments, weapons, ammunition and other defence materiel or trade in defence materiel.

In accordance with the legislation<sup>24</sup> and strategic interests of the state, the Czech Republic proceeds with regards to ensuring national sovereignty when acquiring military materiel and awarding public contracts. EU legislation allows to give precedence to the Member State's vital security interests over competition. Therefore, the Czech Republic proceeds in accordance with EU legislation and takes steps to protect its operational advantages, vital security interests, security of supply and freedom in strategic decision-making on capability development of the Armed Forces of the Czech Republic.



22 As defined in the Czech Armed Forces Development Concept 2030, see [www.mocr.army.cz/dokumenty-a-legislativa/ceske-dokumenty-46088](http://www.mocr.army.cz/dokumenty-a-legislativa/ceske-dokumenty-46088).

23 The Treaty on the Functioning of the European Union, Article 4 (2) states, that "national security remains the sole responsibility of each Member State". Similarly, the European Commission emphasizes in its Communication to the European Parliament and the Council (2013) that defence is the core of national sovereignty and decisions on military capabilities and their provision remain sole responsibility of the Member States. Directive 2009/81/EC, Article 1, states that national security remains the sole responsibility of each Member State, in the fields of both defence and security.

24 Act No. 134/2016 Coll., on Public Procurement, as amended.

In cases where security interests of the state and security of supply permit, the MoD performs all types of public procurement of materiel and services through the procurement above the mandatory value threshold as defined by law (open procurement or semi-closed procurement and, if all legal conditions are fulfilled, through public tenders, closed tenders, competition dialogue tender or innovative partnership tender) in the local, European and global market. In other cases related to vital security interests of the state and security of supply, the MoD prudently uses the exceptions defined in the TFEU as well as exceptions under EU directives.<sup>25, 26, 27</sup>

This concerns the possibility of applying necessary security aspects and needs when selecting suppliers, provided the statutory mandatory principles of public procurement are met.

### 3.2.2 The MoD's approach to armaments

The promulgation of the Act No. 134/2016 Coll., on Public Procurement, significantly strengthened the transparency of public procurement in the Czech Republic and, at the same time, provided for new options and more efficient processes for the contracting authorities.

When acquiring military materiel and services, the MoD observes the principles of transparency and adequacy, fair treatment and interdiction of discrimination, regardless of the manner of acquisition used. When acquiring military materiel and services, the MoD applies the principle of due care and proper management (effectiveness, efficiency and frugality). The MoD develops an armaments system, which is transparent towards the Czech defence industry and the general public<sup>28</sup> when fulfilling tasks of armament and modernisation of the Armed Forces of the Czech Republic. In this process, the MoD emphasises the preparation of projects and events enabling the supply of military materiel and services with the required parameters, in a required amount of time and quality, while maintaining the principle of achieving the best value for money.

The MoD performs market research and provides information management, studies and market research analysis in order to collect data and information on required technology and products, which are intended to build up the level of required capabilities of the Armed Forces of the Czech Republic. This also includes information and data required to manage the materiel life cycle processes.

The main source of data and information for the purposes of market research are the producers and suppliers, technical publications, open source information, exhibitions and defence shows, visits of the armed forces of other NATO nations and EU Member States, NATO tactical and operational training exercises with defence industry participation<sup>29</sup>, online market tools and the National Electronic Tool<sup>30</sup>, efficiency analysis of weapon systems used in current conflicts and conflict trends, experience with the use of already delivered and military materiel and services used in the inventory of the MoD, or in the armed forces of other NATO nations and EU Member States.

When acquiring property through payment, the MoD develops a price assessment for all public procurement cases valued over CZK 100 million, where the contracting authority receives only one offer. This assessment states whether the price is standard in a given time and place.

To achieve effective, efficient and frugal armaments, the MoD uses and develops a system of procurement placement in accordance with the current needs and the necessity to provide a reasonable level of centralisation. This includes employing the defence industry, research and development facilities and academia in acquisitions of military materiel and services. To that effect, the MoD focuses on multinational cooperation in NATO and the EU as well as regional and bilateral cooperation under the condition that the Czech Republic benefits from the cooperation.

The MoD prefers multiyear contracts. These types of contracts stabilise the supply for the entire Armed Forces of the Czech Republic and optimise the process of financial planning. Multiyear supply also allows the Czech defence industry to invest into development, quality enhancement and security of supply.

25 Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security.

26 Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement.

27 Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community.

28 Section 6 of the Act No. 134/2016 Coll., on Public Procurement, defines a general obligation to observe the principles of transparency and adequacy when placing a public procurement and the principle of equal treatment and interdiction of discrimination in dealing with suppliers.

29 CNAD TG - FNIE (Framework for NATO – Industry Engagement – 22 February 2016).

30 National Infrastructure for Public Procurement (NIPEZ).



The MoD applies, in terms of law<sup>31</sup> and in necessary cases, requirement on the suppliers, regarding the guarantee of security of supply during the entire life cycle of these products.

The MoD will introduce, in terms of law<sup>32</sup>, a system to define the comprehensive costs of military materiel life cycle, with a focus on strategic and vital contracts, including its impacts on the environment and the necessary size of defence infrastructure.

The MoD places orders and executes contracts to reach the target (total) amounts of military materiel in order to provide compatibility and commonality of fielded military materiel, with the aim to facilitate operational deployment, command, prepositioning, preparation and training of personnel, standardisation, interoperability and efficient use of simulators and other training facilities. In order to provide vital supply for the support of the armed forces and mobilisation supply of military materiel in states of emergency, the MoD adequately uses options and special contracts with specific (strategic) suppliers.

The MoD uses framework agreements<sup>33, 34</sup> as a useful tool for acquiring specific predefined spectrum of property and services (including mobilisation needs). Framework agreements reduce the administrative load, normally linked to the repeated preparation of partial orders on the side of both the contracting authority and the potential suppliers.

The MoD defines a system for the management of source materials, used to prepare the specification documentation. For an order to be successful, it is necessary to begin the preparation in advance and to make a timely decision regarding the use of outsourced legal services. The MoD thus minimises competition restrictions.

Through the Defence Standardisation, Codification, and Government Quality Assurance Agency, the MoD employs government quality assurance in accordance with Act No. 309/2000 Coll., on Defence Standardisation, Codification and Government Quality Assurance of Products and Services Designated for National Defence and on amendment of the Trade Licensing Act. Contractual terms and conditions enable codification and quality assurance in order to check the observance of standards as well as the implementation of military materiel into use.

The MoD applies its requirements for a necessary quantity and structure of the state material reserves as well as requirements for the provision of mobilisation supply with the State Material Reserves Administration ("SMRA"). The MoD perceives state enterprises established by the MoD as level 1 strategic partners.<sup>35</sup>

### 3.3 Evaluation of the current status of armaments

A successful deployment of the Armed Forces of the Czech Republic is conditioned by acquisition of interoperable military materiel of high technological quality, and the ability to build up the Armed Forces of the Czech Republic with military materiel in times of decreasing stability in the security environment. The aim of the MoD is to maintain and optimize essential industrial capabilities, including the production of vital provisions.

A fundamental task of acquisition emerges from analyses under the Czech Armed Forces Development Concept 2030 that necessitates acceleration of acquisition of new technology and modernising of the Land Forces and the Air Force of the Czech Armed Forces. It is necessary to provide a transparent and effective management of preparation and implementation of acquisition projects, centralised acquisition of property and services through public procurement, so that acquisitions answer actual needs of the Czech Armed Forces and provide the security of supply as efficiently as possible.

31 Section 193 of the Act No. 134/2016 Coll., on Public Procurement (documents or statements issued by authorities of the Czech Republic or the relevant state demonstrating that, in respect of the public contract, the participant will be able to honour its obligation regarding the import, export, transfer and transit of the products which are covered by the subject-matter of the public contract.)

32 Sections 117 and 118 of the Act No. 134/2016 Coll., on Public Procurement. In cases where life cycle costs are part of the evaluation of offers, the contracting authority will define in the specification both the information, that participants are supposed to provide, and the method of evaluation, which will be used to assess life cycle costs based on the provided data.

33 Section 131 of the Act No. 134/2016 Coll., on Public Procurement.

34 The term of the framework agreement in the fields of defence and security shall not exceed seven years, with the exception of cases, where expected useful life of the goods supplied and technical difficulties, which may be caused by the change of the supplier are taken into account; The contracting authority shall duly justify these objective reasons.

35 See page 59, Article II (1.1), Strategic characteristic of the suppliers.

## Outcomes of evaluation of the initial state of armaments

Analyses of the state of armaments<sup>36</sup> points out the principal shortfalls that must be resolved. The outcomes of the evaluation of the state of armaments and fulfilment of strategic goals are presented to the Government, Parliament of the Czech Republic and the President of the Czech Republic as part of the annual National Security Posture Report.<sup>37</sup>

The MoD analyses and adopts measures to optimise processes and develop bilateral and multilateral cooperation in armaments. The most difficult issues reflect in the target proposals and strategic measures.

The MoD perceives the Czech defence industry as a key element of strategic support to development of the Armed Forces of the Czech Republic, which contributes to strengthening political, economic and diplomatic ambitions of the Czech Republic.

The aim of MoD and defence industry cooperation is the provision of supply of military materiel and services, the acquisition of critical weapon systems and maintenance of their operability, as well as provision of operational needs of the Armed Forces of the Czech Republic. The MoD supports the Czech defence industry to foster the creation and development of production capabilities, which in turn provide the security of military materiel supply. The MoD supports academic education, research, development and innovations in order to maintain high quality defence industry.

## Evaluation of the status of armaments in the MoD and of external environment

### Support to achievement of goals

#### Strengths

- Setting a long-term, midterm and short-term planning system, including armaments planning.
- Setting a new market research system.
- Organisation and provision of training for project managers and administrators in the form of project management courses.
- Setting conditions and systems for the acquisition of military materiel through government-to-government cooperation.
- Implementing EU directives on public procurement placement by adopting amended legislation.
- Defining key technologies in order to provide vital interests of the state as well as strategic procurements.
- Using all forms of public order placement in accordance with the Act on Public Procurement.
- Expanding the use of multiyear contracts and framework agreements.

#### Opportunities

- Joined effort of all elements of the MoD as well as other Ministries (especially the Ministry of Industry and Trade and the Ministry of Foreign Affairs) to provide required and vital capabilities including access to implementation of armaments projects.
- Political engagement to increase the MoD budget, which would allow to stabilise program financing expenditures above 20 % of the annual MoD spending as well as the planned implementation of armaments projects.
- Development of the Czech defence industry potential.
- Participation in international armaments cooperation within NATO, EU and the V4.
- Option to use NATO agencies to provide materiel and equipment compatible with other NATO members. Employing, at an increasing and sustained pace, the possibilities of state enterprises established by the MoD, to realise orders, provide services and necessary life cycle costs analyses and studies.

### Risks to achievement of goals

#### Weaknesses

- Unstable financial framework for the implementation of armaments projects, compared to what was planned, which impacts the specification changes, the timeframe of the project and, potentially, its cancellation.
- Despite optimisation in place, the administrative, time and control load of the preparation process of armaments projects.
- Repetitive and complicated data management in different information system apps and subsequent manual sorting of information for the purpose of decision-making in the top management, regarding the state and implementation of strategic and major projects.
- Formal approach to the creation of project implementation schedules, inconsistent implementation control, pushing parts of the project past their deadline, delay compared to original plans.
- Persisting insufficient number of personnel at armaments, degradation of the age structure of personnel. The personnel capacity does not correspond to the required implementation of project, which negatively impacts the quality of project preparation and order analyses.
- Lack of methodology on the effective use of external legal services.

#### Threats

- Insufficient financial resources to implement planned projects, unstable MoD budget.
- Lack of personnel, lack of proper training.
- Insufficient organisational and personnel stability.
- Creation of administrative and legal obstacles which prevent an adequate use of state enterprises established by the MoD.
- Creation of unnecessary administrative legal and non-systemic obstacles in the implementation of projects.
- Insufficient application of project management methods.

36 Analysis "Status of MoD AAD and armaments issues", ref. 271-30/2015-1350, dated 4 September 2015.

37 National Security Posture Report 2017 (Rec. No. V9/2018-3691), 2018 (Rec. No. V71-12/2019-3691), 2019 (Rec. No. V90-3/2020-3691).





## 4. The importance of the Czech defence industry for the state

The Czech defence industry represents one of the cornerstones of the national security structure. Its defence, security and economic benefit is undisputed. If well managed, stimulated and developed systemically in accordance with political, security and economic interests of the state, the defence industry serves as an industrial, scientific and research base. It provides the strategic security supply and service for the needs of national defence. The defence industry is also vital from the point of view of foreign policy, socio-economy and technology.

The MoD supports the defence industry primarily by placing orders for military materiel in the domains, where the Czech defence industry produces competitive military materiel. The placement of these orders supports the creation and progress of research, development and production capabilities, which provide a high technological quality and security of supply of military materiel.

With its technological capabilities and financial resources, the Czech Republic cannot rely only on its own means. The Czech defence industry cannot produce all equipment required by the Czech Armed Forces and, at the same time, the Czech Republic cannot be the defence industry's primary client and certainly not its only client, if the industry is to keep its high level of quality. That being said, the Czech Republic must not depend on its potential opponents in the field of key technologies in the future.

That is why it is important to maintain the current globally competitive capabilities of the Czech defence industry and support its development in fields, which are vital to the Armed Forces of the Czech Republic and are attainable.<sup>38</sup> It is also necessary to secure strategic partnerships with close political allies and thus make use of both the financial and technological resources of the Czech defence industry from abroad.

If the Czech defence industry companies are to achieve the necessary long-term production level, they need to be successful in foreign markets. At the same time, military materiel trade is an extremely specific matter related to foreign policy and it is not subject to rules of a free market, but rather governed by Act No. 38/1994 Coll.<sup>39</sup> Therefore, it is necessary to maintain a transparent and responsible military materiel trade as well as political support to the Czech defence industry from the Government. This strategy includes a number of measures and initiatives, which will lead to the maximum possible success of the Czech defence industry in international markets.

Export of vital security interest military materiel may depend on state support for more than just export licensing. This is the case even if the exporter is a private entity. However, export must always be done in accordance with foreign policy and international commitments of the Czech Republic as well as with the foreign policy interests of the Czech Government. Government support is thus very important to the Czech defence industry, however, this support must always be in line with international commitments and foreign policy priorities of the Czech Republic. That way, the Czech Republic builds its prestige on the international stage and establishes valuable partnerships, which can potentially expand into other fields of cooperation. Apart from the above-mentioned strategic aspects, the support of the defence industry is closely linked with economic benefits. If the defence acquisitions are at least partially carried out by the Czech defence industry, they reflect significantly in the national GDP. Investments, or, more precisely, resources, thus stay in the national economy and support it. Moreover, thanks to the support of defence research and development, new dual use products are made. This leads to the so called spill-over effect into the civilian sector. That is one of the reasons why the MoD requires a maximum possible participation of the Czech defence industry in defence acquisitions, if these cannot be completed fully by the Czech defence industry.

Defence acquisitions carried out by the Czech defence industry are a long-term investment into the national technological and industrial base, but they also reflect positively in the number of highly qualified jobs, national GDP, research and development investments and generate a satisfying level of return in form of tax revenues. There are indirect effects as well, such as employees spending their wages and their impact on local services and employment rate.

38 The strategy of the state and defence and security industry relationship defines the following vital security interests of the Czech Republic: hand guns and light guns and ammunition, IT and communication, protection against weapons of mass destruction and explosives, command and control, provision of combat technology in the Czech Armed Forces, field medical services, strategic transport capacities, fuels, cyber defence, reconnaissance and surveillance systems.

39 Act No. 38/1994 Coll., on Foreign Trade in Military Materiel and supplementing Act No. 455/1991 Coll., on Trade Licensing (Trade Licensing Act), as amended and Act No. 140/1961 Coll., The Criminal Code, as amended.





Defence investments are not only comparable to investments in other fields (such as healthcare, education and transport), but in some aspects can generate a higher return and can have a more sustained impact on the growth of GDP, tax revenues and employment rate. This is mostly thanks to the impact of investments on the increase of highly qualified jobs and research and development<sup>40</sup>. Direct investments in acquisitions projects also indirectly positively impact the national economy and, more specifically, the supply chain. Defence industry suppliers use a wide range of subcontractor services, be it purchase of materiel, equipment, legal or other services, which are thus indirectly supported by the primary investment.

Acquisition stimulates the production of advanced technology of the defence industry and dual use products and creates new jobs, but it also reflects positively in the export possibilities. Investing into the Czech defence industry is therefore closely tied with supporting its companies abroad. Expanding export activities also has multiple effects on macro-economic indicators, such as GDP, employment rate, real retirement pensions and the structure of industrial production.

## 4.1 Trends in the defence industrial environment and their implications

### 4.1.1 Global consolidation and internationalisation of defence industry

From the structural point of view, it is key for the Czech Republic to achieve development which aims towards a concentration and globalisation of the defence industry. Big actors of the defence industry are currently joining forces in conglomerates with enormous technological and capital power. The aim is to concentrate research and development resources and join forces to put pressure on both European and non-European markets. Consolidation often takes on the form of discontinuation of businesses that are no longer needed or unable to compete in the new environment. It can also take the form of new partnerships and mergers, be it on a national or international level. This is accompanied by restructuring and refocusing, frequently on dual use technology.

This means the defence industry is becoming increasingly international, both regarding its production and distribution and availability of modern technology. Moreover, strong international supply chains are being created, which connect individual states and fields and do not only focus on local markets. There are a few dominant suppliers in the global defence industry, meaning smaller players need to specialize, get involved in supply chains and participate in international research programs, such as the EU Horizon 2020 framework program for research and innovation, COSME program for strengthening competitiveness and sustainability, with focus on Small and Medium Enterprises in the EU, and teaming in interdependent and interlinked clusters.

The Czech defence industry, which chiefly comprises SMEs, is ever more often forced to compete against conglomerates with a strong capital, international contacts, influence, and often the support of one or more governments. It is therefore necessary for Czech defence industry companies to enter partnerships with these conglomerates and thus be able to participate in their activities as subcontractors or strategic partners in both third markets and the Czech market, if the partner decides to enter it.

The impact of these global trends on the restructuring of the defence industry in NATO and EU Member States is substantial.

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40 Defence planning, Jozef Procházka et al., MoD Czech Republic, Military History Institute Prague 2018, ISBN 978-80-7278-710-4.





#### 4.1.2 Technological trends

The key driver of development in the defence industry are currently the disruptive technologies, which are innovative both in nature and implementation and radically outmatch the current technology. This includes especially machine learning and Artificial Intelligence (AI) development, autonomous devices, space technology and energy and hypersonic weapon systems. New materials and additive manufacturing, development of quantum technology and biotechnology and special technology to improve human capabilities are also becoming the centre of focus. New simulation training technology with AR and VR are also becoming increasingly popular. Research and development of these new technologies overlap significantly, so synergies are important for implementing these technologies in a variety of fields. It is often the case that these technologies are developed both in the military and the civilian sector, have dual use and therefore a high added value.<sup>41</sup>

The fast development of machine learning and prioritisation of AI development are heavily influenced by acquiring and managing the big data. This data represents both challenges and opportunities for the defence sector. Thanks to increased digitalisation and proliferation of new sensors and communication models, it is currently possible to apply a number of advanced analytical methods for working with large amounts of varied data. The ability and capacity to manage advanced big data analytics are therefore a comparative advantage, which allows its users for example to create extremely precise predictions and precisions of early warning systems.

Big data is also the founding stone of the development of machine learning and subsequent development of AI. The AI is currently holds one of the biggest development potentials. The development of innovative defence solutions based on AI is one of the priorities of global research and development. AI application is considered for autonomous combat systems, Command, Control, Communication and Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), intelligence analysis, identification and precision targeting, malware detection, simulation and training and military medicine. AI use extends in many domains – from cyber and information to traditional operational environment (land-water-air) and space.

The use of robotic and autonomous systems in military applications represents a new direction of development of the armed forces of the 21st century. Robotic automation, be it full or partial, enables higher efficiency of the combat activity and, at the same time, helps reduces losses, both material and human. Autonomous and robotic systems (UxV) are more resilient, precise and faster in decision-making and manoeuvring. That means progress in AI is important for the development of autonomous systems. Another important element is the system's mechanical capability to conduct specific combat missions. At this point in time, drones of various sizes and level of autonomy are a relatively common part of armaments. They are mostly used for surveillance and targeted strikes. A new trend in the development of new technologies is the expansion of their ability to cooperate – this leads to a multi-robotic approach and to the related swarming tactics, miniaturisation of robots and manufacturing of micro and nano robots, development of small satellites, rapid 3D modelling of surroundings, or use of robots as bait. Another important element is the development of passive and active defence systems against autonomous aircraft.

41 "Science & Technology Trends 2020-2040: Exploring the S&T Edge", NATO Science & Technology Organization, March 2020.

The official declaration of space as a strategic area and an operational domain launched a new dynamic in development of space technology across all state sectors. Space technology is currently the peak of projecting global power and a number of countries already announced the creation of space forces. Other important development domains include secure space communication technology, surveillance and space situational awareness (C4ISR) and strategic information dominance. The objective of research and development are specialised sensors (opto-nics/infrared) and their miniaturisation, development of quantum sensors, of passive coherent location systems, synthetic aperture radars, satellites – especially small/nano satellites and current counter-satellite systems, use of laser technology in intersatellite communication or electronic warfare.

In the next decade, economic and political course will be heavily influenced by states, who hold a leading position in technological knowhow and production capacities in key technological domains. That is why investment into research and development of perspective technology with a high added value for the Czech defence industry are one of MoD's strategic priorities.

The MoD therefore supports technological development of the Czech defence industry by stimulating defence research, development and innovation, international cooperation with NATO and EU partners with focus on crossborder partnerships, involvement of Czech businesses in supply chains of multinational projects and technology transfers.

The framework and priorities of applied defence research, development and innovation in accordance with the requirements of the development of the Armed Forces of the Czech Republic and provision of government support are part of the Applied Defence Research, Development and Innovation Concept for 2016-2022 authorised by the Government Council for Research, Development and Innovation in 2015 and by the Government of the Czech Republic in 2016 (Resolution of the Government of the Czech Republic No. 246 dated 21 March 2016). The Concept facilitates the alignment of the Czech defence industry with the future needs of the Armed Forces of the Czech Republic.<sup>42</sup>

The MoD supports investments into defence research and development in accordance with strategic policy documents governing national research, development and innovation.<sup>43, 44</sup>

### 4.1.3 Czech defence industrial policy within NATO and EU

In 2016, Europe launched a process of renewing capacities and capabilities with the aim to achieve technological independence. The European Defence Fund (EDF) became the primary pillar of this renewal, as it enables the growth in competitiveness and in the innovation capacity of the European defence industry to develop defence capabilities and strategic autonomy of the EU through cross-border cooperation in all stages of the industrial cycle. The EDF is also a source of European funding to support investments into supply chains of military materiel and enables the provision of research and development.

The creation of the European Defence Industrial Development Programme (EDIDP) enabled the implementation of EU policies. The EDIDP serves to support the development of the defence industry, to provide capability development for years 2019 and 2020 and to establish the EDF, which pools the support of defence industry development with defence research and development for 2021-2027. EDIDP ensures equal access for SMEs to EDF funding.

The European Union also strengthens the single market for defence through application of EU Directive on Defence and Security Procurement (2009/81/EC) and Directive on EU Transfers (2009/43/EC). The set procedure represents a fairly equalized process of partnership creation, which reflects the interests and opinions of EU Member States.

The European Union creates and oversees the European legal framework, which, among others, governs defence acquisitions, the rules for transfer of military technology, and creates tools to support research, development and innovation in many fields, one of them being dual use technology. European Defence Action Plan (EDAP) supports

42 The Concept defines 14 priority areas of defence research, development and innovation – including but not limited to cybernetisation and robotics, material engineering, intelligence capabilities, cyber defence and radar systems.

43 The Innovation Strategy of the Czech Republic for 2019-2030 defines in its Smart Investment pillar as priorities achieving increased investment in prospective industries (e.g. AI, Space Technologies, Laser Technologies, Nanotechnology, Biotechnology,...); linking investments in defence and security with industrial research support so that Czech companies can participate in developing the newest systems and can transpose them both into the civilian domain and from the civilian businesses into defence industry.

44 The National Research and Innovation Strategy for Smart Specialisation of the Czech Republic (Strategy RIS3 Czech Republic 2014-2020, amended 2018); National Priorities of Oriented Research, Experimental Development and Innovation; National Research, Development and Innovation Policy of the Czech Republic for 2016-2020.



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efficient use of the Member States' resources for common defence. EDA comprehensively facilitates the strengthening of the EU strategic autonomy and the ability to cooperate both with the EU partners and third country partners.<sup>45</sup>

The MoD's approach to political defence industry activities on the EU level EU is based on the principle that NATO and EU activities shall not duplicate.

From the point of view of defence industry, NATO is the key forum to regularly discuss the Alliance's approach to industry and on improving mutual communication and influence. Since all NATO nations only have a single set of forces, and most of them are simultaneously EU Member States, we can say that despite the different EU and NATO approaches, their opinions and requirements for the industry and its participation in fulfilling ambitions mostly overlap.

NATO's framework is the key pillar of Czech security policy. The Alliance's structures and mechanisms drive the interoperability standards between the Allies, define the requirements for capabilities of the nations' armed forces and, together with the Czech defence industry, initiate and support the development of key defence technology on NATO level.

Cooperation efforts include both traditional and new forms of partnership. The traditional methods of cooperation include the Conference of National Armaments Directors (CNAD), Science and Technology Organisation NATO (STO), NATO Industrial Advisory Group (NIAG) and Defence against Terrorism Programme of Work (DAT POW). With the evolution of the political and economic situation, new approaches emerge as well. The Government regularly keeps the Czech defence industry updated via the MoD and supports the industry's participation in these activities (Framework for NATO Industry Engagement – FNIE).

<sup>45</sup> Businesses owned by owners from countries outside of the EU.



## 4.2 Evaluation of the current status of the Czech defence industry

The Czech defence industry is one of the traditional production domains since mid-nineteenth century and defence businesses are important regional employers. Moreover, defence industry provides employment and professional growth to highly qualified workers and prevents the outflow of the workforce abroad. The past five years have been the most successful for the Czech defence industry since the Cold War. For ten years now, the Czech defence and security industry has been growing by 30 % year-to-year, which is basically in line with the global trend. Between 2013 and 2017, exports of military materiel grew by 450 % compared to 2008-2012. Over 90 % of the production is exported. In 2018, for example, military materiel was exported into 103 countries and 1,191 licences worth CZK 18,754 million (731.3 MEUR) were bound for export, according to data provided by the Ministry of Industry and Trade (MIT). In 2019, the total of 1,212 licences to export military materiel worth CZK 21,823.4 mil (850 MEUR) were granted for 98 countries. Given the strong export orientation of the Czech defence industry and due to the highly specific character of the international market with military materiel, institutional state support is absolutely key. It is institutional support of the Czech defence industry by the MoD which leads to the supply of a significant volume of military materiel to foreign partners and thus to strengthening the international prestige of both the Czech defence industry and the Czech Republic as a whole.

The key domains of the Czech defence industry include vehicles and air force technology, hand guns, ammunition, energetic materials, electronic equipment, command and control systems, communication and radiolocation systems, armoured vehicles and trucks, as well as engineer, chemical protection and medical equipment, including development and training, maintenance and trade.

Among the EU Member States, the Czech Republic is a medium sized country. This leads to some limitations in providing the production of military materiel, which the Armed Forces of the Czech Republic need in order to provide sovereignty and security of the state.

Due to Czech Republic's limited possibilities in resources, raw materials, industry and research and development, the Czech defence industry never had the capacities and technological portfolio necessary to provide for the comprehensive of the armed forces. Therefore it was always necessary to:

- Specify domains of production and technology regarded key for the defence of the state;
- Provide a general monitoring of the industries' capacity to produce military materiel with the aim to:
  - Embrace and support progressive technologies with a high future potential for national defence;
  - Capture the digression of the industry which would threaten the continuity of the armed forces' capabilities.

In relation to ensuring the highest possible degree of security of supply of military materiel and maximizing national sovereignty, it is necessary to maintain and develop strategic production capabilities. In that sense, the government must protect the capabilities and capacities of the defence industry to provide production and supply of basic types of military materiel for the needs of the armed forces, and develop them in order to increase strategic autonomy with the aim to reduce dependence on foreign suppliers.

If the Czech defence industry lacks the necessary capabilities and technology in some domains, the MoD purchases the missing materiel and technology from foreign suppliers. Purchasing armed forces products from abroad always creates a certain level of dependence on the supplier and on the political circumstances. The MoD therefore requires the participation of the Czech defence industry companies in the life cycle management of the military materiel purchased abroad. This is to maintain the dependence on foreign suppliers on an acceptable level and to provide the operability of military materiel, in case there is an outage of supply from abroad.

Since 2018, the MoD has registered and increased quantity of applications from the Czech defence industry businesses for the provision of state guarantees on deliveries of military materiel abroad and in some cases even requests for direct arrangement of G2G contracts. Government support of the defence industry is currently the responsibility of the MoD Industrial Cooperation Division. However, the Czech Republic does not at present have a mechanism to provide state guarantees for the export of military materiel or for arranging G2G orders.

The Czech Republic, just as some other NATO nations and EU Member States, established an agency for contracts on the G2G level, the Intergovernmental Defence Cooperation Agency (AMOS)<sup>46</sup>. The Agency is a part of the MoD and its mission is to support the export of military materiel.

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<sup>46</sup> The Agency was established through a Government resolution No. 177 of 22 February 2021.

When acquiring strategic projects, the MoD negotiates and performs supplier contracts and creates conditions and options for state enterprises towards foreign partners. The MoD consults these cases within institutions of export support in the Czech Republic with the Ministry of Foreign Affairs (MFA), MIT, Czech Export Bank (CEB) and Export Guarantee and Insurance Corporation (EGIC) with the aim to create projects of interest and develop the G2G system. If the export of military materiel is done via CEB and EGIC, a state interest should be clearly identified.

A number of countries offer an alternative to G2G trade. This alternative consists of intergovernmental memorandums on mutual support of supply, maintenance of the life cycle of military materiel and training, and alternatively state guarantee of supply, in which case the contract is to be concluded directly with the manufacturer. This setup can also work as an alternative to the MoD support of the Czech defence industry export.

## Evaluation of the status of the Czech defence industry and its support

### Support to achievement of goals

#### Strengths

- A strong national industrial base.
- Consolidation of the defence industry enabling higher competitiveness on European and non-European markets.
- Highly qualified employees with relevant know-how both in traditional fields and new technology.
- Czech Republic's location represents a geopolitical advantage.
- Defence investments stimulate the Czech economy thanks to a high return.
- Existence of a standalone Industrial Cooperation Division of the MoD to support the Czech defence industry.
- Active participation of the MoD in projects of economic diplomacy.
- Participation of defence attachés and embassies in supporting defence industrial cooperation.
- Traditionally strong political relationship with countries, who acquire the products of the Czech defence industry.
- Intense participation of Czech missions at international defence expos and fairs.

#### Opportunities

- Front position in research and development of specific technological fields (e.g.: electronic warfare, protection against weapons of mass destruction, space technology, AI).
- Higher efficiency of defence research and development through supporting innovation policy and technological platform.
- Rapid engagement of the Czech defence industry in research and development projects defined by the NATO and EU defence planning system.
- Active cooperation on EU and NATO initiatives (for example within EDA and NSPA).
- Using the potential of G2G acquisition of military materiel.
- Intense participation of Czech companies in the armed forces acquisitions – support of the Czech defence industry and providing references necessary for foreign markets.

### Risks to achievement of goals

#### Weaknesses

- A limited state budget for the support and development of defence research and development.
- Insufficient connection between the Czech defence industry and the local research and development facilities.
- Czech implementation of European legislation regarding defence acquisitions.
- Low Czech personnel representation in EU and NATO structures.
- Identification of priorities to ensure supply security.
- Insufficient use of local capabilities by defence industry companies when providing sub-deliveries for the final product.

#### Threats

- Growing foreign competition and loss of technological superiority due to insufficient support of research and development.
- Cuts to the MoD budget leading to limiting acquisitions and, as a result, the support of the Czech defence industry.
- Legal limitations to G2G military materiel export.
- Dependence on delivery of key components from non-European countries.
- Shift of strategic manufacturing capacities to third countries.

**Note:** We wish to remark that from one point of view, the geopolitical location of the Czech Republic can be perceived as a strength, however, since the Czech Republic does not have sea access, which has been seen as a long-term issue when transporting military materiel to the country (issue of transition licences) and out of it, it can also be perceived as a weakness.





## 5. Visions and global goal

The vision of armaments and support to the development of the Czech defence industry projects optimisation of the armaments system, support to capability development of advanced and interoperable Armed Forces of the Czech Republic through the procurement of hi-tech military materiel and high-quality services, ensuring sustainability and development of the Czech defence industry, security of supply in cooperation with the Czech defence industry, including the use of strategic capacities of state enterprises in the domain of defence industry.

Attaining the vision of the armaments and support to the development of the Czech defence industry is the essential precondition for the achievement of capability targets of the Armed Forces of the Czech Republic and its capability development at large.

The global goal of the Strategy is to equip the Armed Forces of the Czech Republic with advanced, effective, safe, interoperable and state-of-the-art military materiel and services relative to defence appropriations, planned timeframes, capabilities of the Czech defence industry and the demanded quality. The objective is to ensure maximization of the Czech Republic's self-sufficiency in the domains of key technological capacities with regard to the provision of the highest possible level of security of supply.

Delivering on the vision and the global goal of the Strategy is conditioned on:

- Ensuring sustainability and development of defence industrial capabilities of national defence industry;
- Consolidation of the support to the Czech defence industry in international markets;
- Definition of the process system for the security of supply;
- Maximising potential cooperation with the Czech defence industry;
- Consistent armaments planning;
- Timely development and realisation of capability development programs and projects;
- Effective and transparent acquisition process;
- Ensuring standardisation and interoperability of military materiel;
- Ensuring security of supply of military materiel, sovereignty of decision-making;
- Interconnection of peacetime supplies with supplies for the needs of the Armed Forces of the Czech Republic, including the deliveries in the state of national emergency and the state of war, including through mobilisation needs;
- Targeted support of science, research and innovation;
- Ensuring quick reaction options for new situation/technology irrespective of standard timeframes in the present acquisition process;
- Providing market analyses, employing project management including risk assessment, monitoring trends in armaments and new technology development;
- Effective use of bilateral and multinational armaments cooperation.

### 5.1 Strategic armaments goals and specific armaments objectives

**The MoD has the following strategic armaments goals:**

#### **I. Effective and transparent acquisitions**

*Instruments:*

- Implementation of effective acquisition principles into the project management processes and procedures;
- Implementation of EU Directives on contract award in the MoD;
- Armaments cooperation and interoperability;
- Armaments projects lifecycle management.

#### **II. Armaments projects realisation**

*Instruments:*

- CAFDC 2020 Milestone armaments projects;
- CAFDC 2025 Milestone armaments projects;
- CAFDC 2030 Milestone armaments projects.

#### **III. Acquisition planning and development**

*Instruments:*

- Acquisition planning system definition;
- Training of personnel for armaments project management;
- Development of armament project realisation expertise.

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## Intervention logic of armaments goals

### STRATEGIC GOAL I:

Effective and transparent acquisitions

### SPECIFIC OBJECTIVE I.1:

Implementation of effective acquisition principles into the project management processes and procedures

### SPECIFIC OBJECTIVE I.2:

Implementation of EU Directives on the award of contracts in the MoD

### SPECIFIC OBJECTIVE I.3:

Cooperation and interoperability in armaments

### SPECIFIC OBJECTIVE I.4:

Armaments Projects Life Cycle Management

### STRATEGIC GOAL II:

Armaments projects realisation

### SPECIFIC OBJECTIVE II.1:

The CAFDC 2020 Milestone Armaments projects

### SPECIFIC OBJECTIVE II.2:

The CAFDC 2025 Milestone Armaments Projects

### SPECIFIC OBJECTIVE II.3:

The CAFDC 2030 Milestone Armaments Projects

### STRATEGIC GOAL III:

Acquisition planning support and development

### SPECIFIC OBJECTIVE III.1:

Acquisition planning system settings

### SPECIFIC OBJECTIVE III.2:

Training of personnel for armaments project management

### SPECIFIC OBJECTIVE III.3:

Development of expertise for armaments projects realisation





The development of the intervention logic primarily built on the current status of armaments, which describes the relevant problematic armaments areas. Every issue identified for addressing has been assigned specific key measures designed to remedy the problem or mitigate its consequences. With respect to the existing development of armaments and major interlinkage of individual measures under the Armaments and Defence Industry Development Support Strategy of the Czech Republic till 2025 and the Armaments and Defence Industry Development Support Strategy of the Czech Republic till 2030, after the evaluation of analytic inputs, individual measures were defined in the frame of specific subject-matter areas with the relation to strategic goals and additional specific goals.

Individual measures were assigned P1-P3 priorities, while P1 designates the measures that are critical for the development of the armaments system and their realisation is essential, P2 stands for significant measures and P3 covers measures improving armaments functionalities.

Given the ten-year effective period of the present policy, it will be possible for current armament trends as well as major changes and trends in this domain to be reflected in the form of additional specific objectives and measures not covered under the Strategy 2030, but will be regarded essential and desirable for meeting the strategic goals. Such additions must however always respect the targeting of the strategic goals.



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## Strategic Goal I Armaments objectives and measures

<b>Strategic Goal I. Effective and Transparent Acquisitions</b> Strategic Goal I Effective and Transparent Acquisition was analysed and evaluated under the National Defence Status Reports in 2017, 2018 and 2019 in status of performance on the Armaments and Defence Industry Development Support Strategy of the Czech Republic till 2025 <b>as performed</b> . Strategic Goal I. involved Specific Objective I.1 Implementation of effective acquisition principles into the project management processes and procedures, Specific Objective I.2 Implementation of EU Directives on the award of contracts in the MoD and Specific Objective I.3 Cooperation and Interoperability in Armaments. The performance of the Strategic Goal I. will be further developed in relation to additional requirements for the armaments system optimisation. The Specific Objective I.4 Armaments Projects Life Cycle Management is newly included in the Strategic Goal I.		
Specific objective	Measure	Performed by
I.1 Implementation of effective acquisition principles into the project management processes and procedures.	I.1.1 Establishing the new market analysis system – in the form of internal MoD regulation on market analysis and acquisition support.	CZE MoD <b>Performed continuously</b>
	I.1.2 Setting the conditions for acquiring military materiel through Government-to-Government contracts and using foreign military assistance programs (FMF / FMS).	CZE MoD <b>Performed continuously</b>
I.2 Implementation of EU Directives on the award of contracts in the MoD.	I.2.1 Implementation of the EU Directive 2009/81/EC, 2014/24/EU and the Czech Act No. 134/2016 Coll., on Public Procurement, within the MoD – internal regulation on the award of public contracts.	CZE MoD <b>Performed continuously</b>
	I.2.2 Implementation of EU / EDA approaches and directives for ensuring the security of supply.	CZE MoD <b>Performed continuously</b>
	I.2.3 Key technologies in terms of ensuring essential national security and capabilities of the Czech defence industry.	CZE MoD <b>Performed continuously</b>
	I.2.4 Definition of terms and conditions for the adoption of measures to protect technological advantages of Czech manufacturers, for ensuring essential security interests of the Czech Republic in accordance with Article 346 TFEU.	CZE MoD <b>Performed continuously</b>
I.3 Cooperation and interoperability in armaments.	I.3.1 Development of bilateral and multilateral cooperation in armaments.	CZE MoD <b>Performed continuously</b>
	I.3.2 Implementation of European Union rules for the acquisition of military materiel and services in the CZE MoD.	CZE MoD <b>Performed continuously</b>
	I.3.3 Coordination of contract award procedures in accordance with EU Directives.	CZE MoD <b>Performed continuously</b>
I.4 Armaments projects life cycle management.	I.4.1 Armaments project management in CZE MoD from the viewpoint of ensuring the life cycle of military materiel – promulgation of internal MoD regulation.	CZE MoD <b>New Specific Objective</b>
	I.4.2 Interconnection of supplies in peacetime with supplies for the needs of the Armed Forces of the Czech Republic, including in the state of national emergency and in the state of war, i.e. including mobilisation needs.	CZE MoD <b>New Specific Objective</b>

## Strategic goal II Armaments objectives and measures

<b>Strategic Goal II. Armaments projects realisation</b>		
<p>The CAFDC 2030 evaluates the status of realisation of the projects of the Czech Armed Forces primary development programs at the end of 2019, when 39% projects were completed and the total 61% of the Milestone 2020 projects were delayed. By the end of 2020, a high number of public contracts under the Milestone 2020, which had received timely allocation of funding, were executed. The aim of Milestone 2020 was to enable the stabilisation of the Czech Armed Forces' capabilities and progressively eliminate the existing capability shortfalls caused by protracted underfunding of the Czech Armed Forces in the past and create conditions conducive to the initiation of development of the Czech Armed Forces' capabilities under the subsequent milestones. The final evaluation of the Milestone will be a part of National Defence Status Report 2020 presented to the Government of the Czech Republic, Parliament of the Czech Republic and the President of the Czech Republic. The Milestone 2025 and Milestone 2030 are newly integrated as well.</p>		
Specific objective	Measure	Performed by
II.1 CAFDC 2020 Milestone Armaments Projects.	The achievement of the milestone enables a progressive replacement of the military equipment that is at the end of its life cycle and replenishment of operational reserve stocks.	CZE MoD <b>Performance on the objective continues.</b>
II.2 CAFDC 2025 Milestone Armaments Projects.	The achievement of the milestone will enable a basic development of the Czech Armed Forces, ensuring readiness for the defence of the Czech Republic's interests and the continuation of development of collective defence capabilities. In the domain of armaments, the realisation of the CAFDC 2025 Milestone consists in the modernisation of the existing equipment and its replacement based on the completion of its life cycle and especially in the acquisition of equipment for developing a heavy brigade.	CZE MoD <b>Performance on the objective continues.</b>
II.3 CAFDC 2030 Milestone Armaments Projects.	The Milestone is dedicated to the next systemic development of the Czech Armed Forces, specifically to the development of air force and ground based air defence capabilities and the continued modernisation of the land forces.	CZE MoD <b>New Specific Objective</b>

## Strategic Goal III Armaments objectives and measures

<b>Strategic Goal III Acquisition planning development and support</b>		
<p>Strategic Goal III. Acquisition planning development and support and the training of personnel for the stability of armaments was analysed and evaluated under the National Defence Status Reports in 2017, 2018 and 2019 in status of performance on the Armaments and Defence Industry Development Support Strategy of the Czech Republic till 2025 <b>as performed</b>. The Strategic Goal III. Included Specific Objective III.1 Settings of the acquisition planning system. The long-term, medium term and short-term acquisition planning system became a part of the newly established planning of the MoD's activities and development. The implementation of the new planning system necessitated an amendment of the relevant internal MoD system. The second specific objective of the Strategic Goal III. was the objective III.2 Training of personnel for project management. The MoD provided outsourced project management courses and also regularly organises specialist project administration and project management courses at the University Defence. At the end of such courses, the graduates are certified by an independent testing commission in accordance with the National Register of Qualifications.</p> <p>Optimisation of the system of planning and organisation of project management courses, including certification, will continue. The Strategic Goal III. newly includes Specific Objectives III.3.1 Optimisation of the process of preparation and realisation of public contracts in the remit of project and contracting managers and III.3.2 Development of the principles of utilisation of outsourced legal services.</p>		
III.1 Settings of the acquisition planning system.	III.1.1 Long-term acquisition planning system development.	CZE MoD <b>Performed continuously</b>
	III.1.2 Optimisation of medium-term acquisition planning.	CZE MoD <b>Performed continuously</b>
	III.1.3 Review and optimisation of short-term acquisition planning.	CZE MoD <b>Performed continuously</b>
III.2 Training of personnel for armaments project management.	III.2.1 Organisation and support of specialist project management courses.	CZE MoD <b>Performed continuously</b>
	III.2.2 Certification of course graduates according to National Register of Qualifications.	CZE MoD <b>Performed continuously</b>
III.3 Development of armaments projects realisation expertise.	III.3.1 Optimisation of the process of preparation and realisation of public contracts in the remit of project and contracting managers – in the form of promulgation of methodological manual.	CZE MoD <b>New Specific Objective</b>
	III.3.2 Development of principles for the utilisation of outsourced legal services – in the form of promulgation of methodological manual.	CZE MoD <b>New Specific Objective</b>

### 5.1.1 Armaments goals implementation

#### Strategic goal I – Effective and transparent acquisitions

The realisation of this goal is based on the implementation of the principles of effective acquisition into the project management processes and procedures with emphasis on military materiel life cycle management, implementation of EU Directives 2009/81/EC<sup>47</sup> and 2014/24/EC<sup>48</sup> and the Czech Act No. 134/2016 Coll., on public Procurement in the MoD's internal regulations, definition of a transparent market analysis process in the MoD and the system of training and certification of project administrators and managers.

#### Specific objective I.1 Implementation of effective acquisition principles into the project management processes and procedures

In order to achieve the objective, the MoD sets forth the following measures:

- Apply effective acquisition procedures proposed by NATO/CNAD, EU/EDA and those proven in the public and private sector;
- Optimise costs reflecting the requirements for increasing the usability of military materiel and life cycle costs<sup>49</sup> to the effect of reducing acquisition and operating costs and increasing operational reliability;
- Consistently manage armaments programs and projects based on project management procedures;
- The tasks of defence research, development and innovation to focus on future defence capability requirements with specific emphasis on dual use technologies;
- Apply requirements for interoperability, defence standardisation, codification and government quality assurance;
- Consider lifecycle costs of military materiel<sup>50</sup> (LCC analyses)<sup>51</sup>;
- Make use of services provided by specialised NATO and EU acquisition agencies<sup>52</sup>, such as the NSPA<sup>53</sup> where effective and efficient;
- Analyse the support system and prepare it early in the lifecycle phases – in the concept development phase, and optimise it during the use of the military materiel;
- Evaluate and plan the required capabilities throughout the life cycle in all functional areas.<sup>54</sup>  
In that regard, submit proposals of the support system and its optimisation during the military materiel's life cycle (including funding for operation, maintenance, training, decommissioning and disposal);
- Advance the contractors' liability for product quality and certification while observing the law<sup>55</sup> and NATO standards.<sup>56</sup>

The above measures to realise the goal are integrated in the MoD's internal regulations laying down project management and market analysis in the MoD and the Czech Defence Standard for Life Cycle Management.

47 Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC.

48 Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

49 CDS 051662, Edition 2; AAP-20, Ed. 2 (Phased Armaments Programming System/PAPS); System Life Cycle Stages: Concept, Development, Production, Utilisation and Support, Retirement and Disposal, (AAP-20, Phased Armaments Programming System (PAPS) Edition 2 – February 2010), CDS 051655, AAP-48, (NATO SLCM – System Life Cycle Stages and Processes).

50 ISO/IEC 15288 CD2, ed. 2.0. / 2008 System Life Cycle Management – System Life Cycle Processes, Chapter 6. 2. and ISO EN 9001 ed. 2, Quality Management System, 9/2010.

51 RTO-TR-SAS-054, Annex D - Life Cycle Costing Definitions.

52 Section § 191 Paragraph 2 f) and 2 g) Act No. 134/2016 Coll., on Public Procurement, as amended.

53 NATO Support and Procurement Organisation, (C-M(2015)0047, The Charter of NATO Support and Procurement Organisation / NSPO).

54 NATO Doctrine, Organization, Training, Materiel, Leadership, Personnel, Facilities, Interoperability (DOTMLPFI) and EU Concept, Organization, Training, Materiel, Leadership, Personnel, Facilities, Interoperability (COTMLPFI) methodologies.

55 Act No. 309/2000 Coll., on Defence Standardisation, Codification and Government Quality Assurance of Products and Services Designated for National Defence and on amendment of the Trade Licensing Act, as amended.

56 NATO AQAP 100 Policy on an Integrated Systems Approach to Quality through the Life Cycle.





### Measure I.1.1 New market analysis process definition

In armaments, market analysis is used as a key tool for defining the timeframe, costs, performance indicators (functional characteristics, technical-organisational indicators) and the degree of feasibility to inform decision-making on viable ways of achieving full operational capabilities.

In order to achieve the objective, the MoD sets forth the following measures:

- Implement the market analysis process;
- Formalise the communication with the defence industry and market analysis for all life cycle phases;
- Generate and maintain a current overview of the defence industry's manufacturing and technological capabilities to inform decision-making on acquisition needs and their optimal solutions;
- Minimise project risks (e.g. market analysis, studies).

The measure has the P1 priority, was realised as part of the Strategy 2025 and will be continuously development throughout the effective period of Strategy 2030 as needed.

### Measure I.1.2 Setting terms and conditions for Government-to-Government and foreign assistance program (FMF/FMS) military materiel acquisition

The MoD supports the execution of contracts between governments, as it enables sustained cooperation and support of operation, maintenance of supplies of spare parts for the military equipment throughout the life cycle. For the MoD, G2G contracts foster the sharing of lessons learnt from operating the equipment in the armed forces of the relevant country, including the verification of technical and military parameters before the contract is executed, as well as training and deployment experience. That significantly reduces the operation and maintenance costs and ensures interoperability, meeting NATO standards and guarantees of government quality assurance.

With military equipment not in use yet, Government-to-Government cooperation enables participation in joint development projects that distribute the development costs. Similarly, it is possible to achieve higher economies of scale in a joint public procurement. Again, ensuring interoperability and standardisation is essential.

The MoD invokes the exemption from the 2009/81/EC directive to allow government-to-government acquisition of military materiel in cases to realise critical (strategic and major) armaments projects to achieve the key capabilities of the Armed Forces of the Czech Republic.

Desirable sequence for the realisation of Government-to-Government contracts:

- Performance of a broader market analysis – from open sources and leveraging the experience of NATO and EU countries' armed forces with the use of high potential types of armament and equipment;
- Evaluating the identified observations from the viewpoint of operational, technical and policy requirements and conditions meeting the assumptions for the execution of a future government-to-government contract;
- Reaching out to governments – a focused research in the form of Request For Government Information (RFGI) – usually via defence attachés;
- Possible deliberation of terms and conditions and specification of requirements for the subject of public procurement (delivery) by expert teams;
- Informing the Government of the Czech Republic on the procedure of public contract placement with a request for official addressing of government or governments for proposals and execution of future government-to-government contract;
- Sending a Request for Proposal (RFP) to the Governments of selected countries;
- Evaluation of proposals and execution of the Government-to-Government contract. The MoD enjoys the same contractual terms and conditions as the relevant Government has. Based on the contract, the Government authorises the relevant Minister to realise the G2G contract under the terms and conditions laid down in the contract.

Government-to-Government acquisition of military materiel<sup>57</sup> represents an exception from the regular mode of public procurement under the Directive, which is applied restrictively with the goal not to create unjustified obstacles hampering a non-discriminatory and transparent access to defence contracts by EU defence industries. According to the EC communiqué<sup>58</sup>, G2G contracts primarily apply to the sale of surplus military materiel in the inventory of one government to another government. Although the European Commission does not rule out G2G acquisition of military materiel, it appropriately specifies that the buyer has to proceed in accordance with the Directive 2009/81/EC (meaning the buyer has to run a public tender), or has to use an option for the procurement of additional materiel laid down in an existing contract executed between the given state and specific supplier.

The measure has the P1 priority, was realised as part of the Strategy 2025 and will be further developed during the effective period of the Strategy 2030.

### **Specific objective I.2 Implementation of EU Directives in MoD contract placement**

#### **Measure I.2.1 Implementation of the Directive 2009/81/EU, Directive 2014/24/EU and the Act No. 134/2016 Coll., on Public Procurement, in the MoD – in the form of developing internal regulation on public procurement**

In order to increase transparency and openness of the European Defence Equipment Market and to remove some elements of discrimination, the EU Directive 2009/81/EC implemented a single set of rules for the acquisition of military materiel. The Directive allows specific exemptions, especially in case of contracts awarded according to international rules, Government-to-Government contracts and last but not least contracts awarded in accordance with Article 346 TFEU (ex Article 296 TEC). The procedure for acquiring military materiel and services using the Article 346 TFEU is provided in Article I.2.4.

The level playing field in the EU Defence Equipment Market is also facilitated by the Intra-EU-transfers of defence related products directive (2009/43/EC)<sup>59</sup>.

Contract placement must reflect the development of both national and international legal frameworks, dynamic in defence equipment market and new procurement forms. The Czech Republic undertook to observe the EU principles in acquisition of military materiel.

57 In accordance with Article 13(f) Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC.

58 Guidance on the award of Government-to-Government contracts in the fields of defence and security (Article 13(f)) Directive 2009/81/EP of the European Parliament and of the Council (2016/C 450/01).

59 Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community.



In order to achieve the specific objective, the MoD sets forth the following measures:

- In contract placement, discrimination based on the corporation's registered seat in EU should be avoided;
- Ensure equal and fair bidding conditions for suppliers;
- Guarantee the transparency of the public procurement process;
- Mutually recognise national documents and standards among EU Member States;
- Ensure suitability of requirements for the suppliers;
- Accelerate and simplify contract placement;
- Use all lawful forms of bidding procedure for public procurement. Where possible and economic, the use of the forms of competitive bidding procedures<sup>60</sup> for civilian materiel and restricted procedures for military materiel<sup>61</sup>, which call for an unlimited quantity of suppliers to submit their proposals and thereby achieving the best offers<sup>62</sup>;
- Rule out the development of contract specifications creating favourable terms and conditions for specific suppliers and discrimination of potential public bidders;
- Restrict specifications for contracts requiring additional development, those ineffectively increasing the quantity of subcontractors or creating conditions for involvement of unproductive intermediaries and making the supplied military materiel more expensive;
- In case of need, adopt measures to protect technological advantage of Czech manufacturers, for ensuring the Czech Republic's essential security interests; proceed in line with Article 346 TFEU.

The measure has the P1 priority, was realised as part of the Strategy 2025 and will be developed continuously throughout the effective period of Strategy 2030 as needed.

## **Measure I.2.2 Implementation of EU / EDA approaches and directive to ensure the security of supply**

The security of supply builds on well-functioning markets and a competitive economy. The markets themselves however do not necessarily need to be strong enough to maintain the basic economical and other critical functions of manufacturing (supplier) businesses in case of interference, crises and emergencies. Moreover, the security of supply may be realised through stockpiling only in part. Therefore, various measures to ensure security of supply are adopted – usable for securing continuity of national critical infrastructure and services in all circumstances.

<sup>60</sup> Section § 56 of the Act No. 134/2016 Coll., on Public Procurement, as amended.

<sup>61</sup> Sections § 58, § 187, § 199 of the Act No. 134/2016 Coll., on Public Procurement, as amended.

<sup>62</sup> Sections § 114 and § 115 of the Act No. 134/2016 Coll., on Public Procurement, as amended.



The Act No. 134/2016 Coll., on Public Procurement permits to lay down in the order specifications the requirements for securing supplies in the form of submitting documents or statements by official authorities of the Czech Republic to verify that the bidder is able to perform the bidder's obligations relative to the order in the domain of import, export, transfer and transit of products that are subject to the order throughout the life cycle of those products as well as the obligations to ensure support, modernisation or modification of supplies that are subject to the order, and that the bidder shall provide information on the changes of the bidder's organisation, subcontractors or production strategy, which may have effect on the operation, maintenance and repairs of military materiel.

The award of contracts for military materiel in foreign countries may lead to weakening of the Czech Republic's industrial base essential for national defence. If such order placement clearly disrupts the security of supply, aspects of economic effectiveness may be subordinate to the goal of providing a sustained national defence capability. In such case, it is possible on exceptional basis not to apply competition measures and realise the order with clear rationale through the application of Article 346 TFEU for specific platform with a view to ensuring the maintenance capability in the Czech Republic or the Czech Republic's sovereign capability requirements.

The security of supply involves both development and direct industrial production in key sectors (ammunition; infantry weapons; manufacture and maintenance of ground vehicles – tracked and wheeled armoured vehicles; military trucks; radar technology and passive surveillance systems; communication technology; electronic warfare and CBRN defence systems; intelligence systems; air assets; simulation technologies, trainers and training systems; counter improvised explosive device systems; special containers), as well as national manufacturing and maintenance capacities to support the life cycle of military materiel and systems acquired in foreign countries.

Strategic state defence industry enterprises established and directly controlled by the MoD as well as private businesses with special relation with the Government have a key position from the viewpoint of ensuring the security of supply in the frame of the life cycle of the military materiel.

The measure has the P2 priority, was realised as part of the Strategy 2025 will be developed continuously throughout the effective period of Strategy 2030 as needed.



### **Measure I.2.3 Key technologies from the viewpoint of ensuring the Czech Republic's essential security interests and defence industry capabilities**

Maintaining the essential national technologies in the domain of defence industry is regarded the key precondition for ensuring the necessary military capabilities and security of supply.

The MoD supports the development of key technologies, capacities and systems that must be available with a view to national security interests.

In terms of the land equipment, that primarily involves key technologies and systems for manufacturing, maintenance and modernisation of armoured vehicles; special transport vehicles and equipment; command, control, communication and information systems; operational stockpiling and manufacture of small arms and ammunition for crises; fire support and direct fire support systems; night vision and optical devices; engineer bridges and special engineer materiel, emplacement, construction and earthmoving machinery; chemical, biological, radiological and nuclear defence and counter improvised explosive device systems.

In terms of air technologies, capacities and systems for supporting the land forces, that primarily involves the provision of support, operation and maintenance of air defence systems, supersonic and subsonic aircraft, transport aircraft, all types of rotary wing aircraft, unmanned aerial vehicles, air defence missile system, radar technology, missile defence systems and strategic airlift systems, provision of ammunition, special equipment and infrastructure for the Air Force.

In Special Forces, that involves the maintaining of special capabilities, including their modernisation.

In the Cyber and Information Operation Forces, that involves technology and systems enabling the monitoring of own part of cyber space, perform Intelligence, Surveillance, and Reconnaissance (ISR) and conduct tactical operations in the cyber space and information environment.

In terms of intelligence support, that involves the manufacturing and maintenance capacities in the domain of passive surveillance systems, surveillance and jamming systems, electronic warfare systems, unmanned and unpiloted systems and crypto technologies.

In the Military Police, that involves manufacturing and maintenance capacities in the domain of non-lethal capabilities and biometry.

Across all the above areas, that involves key technologies, manufacturing and maintenance capacities and systems comprising sensors, sensor systems, C4I and automation systems, reconnaissance and surveillance systems. Further, that includes petroleum, oil and lubricants, means of support of military materiel, medical support and procurement of individual equipment items with the Czech Armed Forces specific camouflage pattern.

An important area is the support of development, manufacture, processing and utilisation of new components and technological approaches. A new, but the more important area for ensuring national defence is electronic, information and cyber defence and the space domain. The decisive factor for keeping technological superiority and striking opportunities in the defence and security equipment market is the support to research, development and innovation in the domains of biotechnology, robotics, information technologies, nanotechnologies, energy sources and systems. The key is support to training, education, simulation and simulators.

The measure has the P1 priority, was realised as part of the Strategy 2025 and will be developed continuously throughout the effective period of Strategy 2030 as needed.

### **Measure I.2.4 Definition of terms and conditions for the adoption of measure to protect the technological advantages of Czech manufacturers, for ensuring essential security interests of the Czech Republic iaw Article 346 TFEU**

The TFEU<sup>63</sup> has an essential importance for defining the rules for the procurement of military materiel and services. The TFEU defines the conditions for the application of exemptions on the grounds of information security and essential national security interests. Article 346 TFEU is a major exemption from the contract award in the field of defence and security.

63 Article 346 of the Treaty on the Functioning of the European Union (ex Article 296 TEC):

1. The provisions of the Treaties shall not preclude the application of the following rules:

(a) no Member State shall be obliged to supply information the disclosure of which it considers contrary to the essential interests of its security;

(b) any Member State may take such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production of or trade in arms munitions and war materiel; such measures shall not adversely affect the conditions of competition in the internal market regarding products which are not intended for specifically military purposes.



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In case Article 346 TFEU (1) (b), and Section §29 Letter s) of the Czech Act No.134/2016 Coll., are applied, a Member State must be able to prove that specific measures in the defence sector are necessary and adequate for the protection of essential national security interests and that they do not exceed the framework of what is essentially needed for this purpose. The burden of proof that those conditions are met rests with the Member States.

The application of the Article 346 TFEU (1) (b) and Section §29 Letter s) of the Czech Act No. 134/2016 Coll., requires that every EU Member State assessed every order individually and determined whether the conditions for the application of the order are met. They particularly have to verify:

1. What is an essential security interest?
2. What is the interconnection between the security interest and the order?
3. Why could EU rules jeopardise substantial security interests?





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Based on the case law by the Court of Justice of the European Union<sup>64</sup>, it appears as continuously admissible to sole source military materiel from national manufacturers on the grounds of keeping viability or competitiveness of such national manufacturer (support of national defence industry) as an indispensable element of protecting essential national security interests.

The procedures for the application of all exemptions from TFEU rules and the 2009/81/EC Defence Procurement Directive are subject to the Act No. 134/2016 Coll., on Public Procurement.

The MoD assesses the application of Article 346 TFEU exemption on case by case basis and the decision must be processed as part of the contract award strategy as soon as possible and requires a clear rationale for the use of Article 346 with the objective of exempting the contract award from the Directive 81/2009/EC as a whole, for example because of very strict security of supply requirements and important reasons of national sovereignty.

The MoD proves with every case why the application of the provisions of the Directive 81/2009/EC does not suffice to protect essential national security interests, and that the use of the exemption is the least restricting available means of achieving such protection.

The measure has the P1 priority, was realised as part of the Strategy 2025 and will be developed continuously throughout the effective period of Strategy 2030 as needed.

64 CJEU – Court of Justice of the European Union: Case T-26/01 (Court of First Instance) – Fiocchi munizioni SpA (IT) v Commission.

### Specific Objective I.3 Cooperation and interoperability in armaments

#### Measure I.3.1 Development of bilateral and multilateral armaments cooperation

Given the size of the domestic defence and security equipment market, bilateral and multilateral cooperation for development, manufacturing and maintenance of military materiel is cost effective and essential in order to obtain higher quality products at adequate prices for improved interoperability.

In order to achieve the objective, the MoD sets forth the following measures:

- Ensure support to the Czech defence industry;
- Enhance transparency and early exchange of information on armaments plans with international partners to the effect of coordinating acquisitions;
- Early identify opportunities for multinational / bilateral cooperation via NATO and the EU and in the frame of bilateral and multilateral engagements;
- Exploit opportunities to procure materiel through Government-to-Government transactions and by the means of foreign assistance programs (FMF/FMS);
- Engage the defence industry into the initial phases of multilateral / bilateral projects to strengthen opportunities for using its potential in the frame of international industrial cooperation;
- Enhance the level of interoperability in favour of force deployability and sustainability according to NATO standards and design the relevant procedures accordingly;
- Ensure the implementation of NATO and EU standards and their transposition into Czech Defence Standards.

The above measures for the realisation of the MoD objective are included in the new MoD regulations on market analysis, on armaments projects management and on acquisition of property, services and construction works, and the MoD uses them in development and promulgation of the Czech Defence Standards in relation with the NATO AAP 48 NATO System Life Cycle Stages and Processes.

The measure has the P1 priority, was realised as part of the Strategy 2025 and will be developed continuously throughout the effective period of Strategy 2030 as needed.

#### Measure I.3.2 Implementation of the European Union rules for the procurement of military materiel and services in the CZE MoD

Under the TFEU, the Czech Republic committed to act fairly, transparently and openly in acquiring military materiel based on military capability requirements in the domain of defence and security.

In order to achieve the objective, the MoD sets forth the following measures:

- Ensure support to the Czech defence industry;
- Ensure the realisation of generally applicable TFEU contract award rules:
  - Non-discrimination based on nationality;
  - Ensuring equal and fair conditions for the participation of suppliers;
  - Transparency of the contract award process;
  - Recognition of national documents and standards among the EU Member States;
  - Proportionality of measures, meaning adequateness of the contracting authority's requirement.

The measure has the P3 priority, was realised as part of the Strategy 2025 and will be developed continuously throughout the effective period of Strategy 2030 as needed.

### **Measure I.3.3 Coordination of the contract award procedures in accordance with EU Directives**

The EU seeks to strengthen the European collective defence to be able to face 21st century threats. This goal is implemented primarily through supporting the Member States' endeavour to attain enhanced defence capabilities in the frame of the Common Security and Defence Policy, which cannot do without the creation of a transparent European Defence Equipment Market and the strengthening of competitiveness of the European Defence Technological and Industrial Base.

The European Commission (EC) together with the European Defence Agency (EDA) develop policies and instruments designed to provide a broader access to small and medium enterprises to the defence and security equipment market, strengthening standardisation and certification, increasing mutual confidence in the domain of security of supply, access to key technology and ensuring operational sovereignty.

The measure has the P3 priority, was realised as part of the Strategy 2025 and will be developed continuously throughout the effective period of Strategy 2030 as needed.

### **Specific Objective I.4 Armaments projects lifecycle management**

#### **Measure I.4.1 Armaments projects management in CZE MoD from the viewpoint of supporting the life cycle of military materiel – promulgation of internal regulation**

Ensuring the life cycle of the military materiel is a precondition for its effective, efficient and economic utilisation, and enables achieving a maximum level of capability for which the materiel was procured, whenever needed. The life cycle of military materiel divides into stages. The military materiel life cycle stage relates to the described status of military materiel. The military materiel goes through those stages as a result of process activities performed by authorised personnel in the frame of life cycle management.

The responsibility for managing the life cycle stages is vested with the armaments objective manager as part of his/her line responsibility or with the use of project management. Every stage of military materiel's life cycle has assigned its entry and outlet criteria and goes through its internal life cycle that involves initiation, planning, realisation and disengagement.

The measure has the P3 priority and will be developed continuously throughout the effective period of Strategy 2030.

#### **Measure I.4.2 Interconnection of peacetime supplies with supplies for the needs of the Armed Forces of the Czech Republic including supplies in the state of national emergency and the state of war, i.e. mobilisation needs**

Ensuring the supply of military materiel (security of supply) represents an essential security interest of a state. The supply must deliver materiel that the armed forces has in its inventory, with the existing logistic support and trained human resources. That is why it is essential to design the supplies of military materiel so, that at least the minimum of industrial capabilities would be ensured throughout the period of use of the military materiel by the armed forces. Ensuring the industrial capacities enables the planning of mobilisation supplies and thus realisation of supplies of specific military materiel in the state of national emergency, in the state of war. The preparations for such supplies must be realised already in peacetime.

The measure has the P1 priority and will be developed continuously throughout the effective period of Strategy 2030.





## Strategic Goal II. – Armaments projects realisation

Authorised by the Government of the Czech Republic, the CAFDC 2030 is the Czech Armed Forces' primary strategic policy that defines the scope and ways of achieving specifically identified capabilities essential for meeting the Czech Republic's political-military ambitions and the Czech Armed Forces' missions and commitments till the end of 2030. Further capability requirements are laid down in the concepts of the Armed Forces of the Czech Republic. CAFDC 2030 follows from CAFDC 2025.

The CAFDC 2030 projects are elaborated and specified in subordinate concepts and policies, particularly in the Mobilisation Concept of the Armed Forces of the Czech Republic, the Czech Republic's Territory Operational Preparation Concept, the Medium Term Plan and the Acquisition Plan.

The mission of the MoD ICD is to launch early market analysis and support the preparation of the major armaments projects. The mission of the MoD AAD is to work with the user representatives to develop realistic order placement documentation relative to the approaches and methods laid down under Goal I.

The key precondition for ensuring serviceability, sustainability and deployability of newly acquired combat equipment is the procurement of a sufficient stock of spare parts, ammunition and services in accordance with NATO standards. Framework or multiyear contracts will be used to provide regeneration of the stock of such consumables throughout the lifecycle of the primary combat equipment in the inventory.

### Specific Objective II.1 CAFDC Milestone 2020 armaments projects

The realisation of the 2025 Armaments and Defence Industry Development Support Strategy followed in 2020 on achievement of objectives in previous years. The main effort in the realisation of the first milestone was dedicated to the contracting for key armaments close to the end of life cycle, and the realisation of strategic and major armaments projects to attain and enhance key capabilities of the Czech Armed Forces in line with the 2030 Czech Armed Forces Development Concept (CAFDC 2030). Out of 15 strategic and major armaments projects set forth in the Directive of the Minister of Defence for planning the MoD activities and development for 2022-2029 with outlook to 2035, which were planned for contracting till the end of 2020, twelve projects have been already under contract by now. The remaining three projects for the acquisition of the infantry fighting vehicles, NATO calibre artillery gun and the SHORAD systems will be contracted soon.

The specific objective has the P1 priority and will be finalised by 2021.

### Specific Objective II.2 CAFDC Milestone 2025 armaments projects

The armaments projects of the second milestone are designed to modernise the existing equipment and replacement of equipment based on termination of service life, ensuring interoperability and the provision of the Czech Armed Forces service personnel with quick impact projects that involve tactical individual equipment, small arms, ballistic vests and night vision devices.<sup>65</sup> One of the key priorities is the provision of new equipment for the heavy brigade. As part of the modernisation, the replacement of short and medium range air-to-air missiles and precision satellite guided all-weather air-to-ground ammunition.

The specific objective has the P1 priority and will be finalised by 2025 based on allocated and authorised funding.

### Specific Objective II.3 CAFDC Milestone 2030 armaments projects

The 2030 Milestone involves the acceleration of the preparation and realisation of armaments projects to acquire new equipment and modernise the equipment of the Land Forces and the Air Force. Equipping the Armed Forces of the Czech Republic with modern and interoperable military equipment, materiel and services calls for a flexible and effective armaments process.

The Specific Objective has the P1 priority, will be finalised as part of the Strategy 2030 by 2030 in relation to the allocated and authorised funding.



<sup>65</sup> Specific Objective, II.1 CAFDC 2020 Milestone armaments projects” are not included, because the present strategy covers the upcoming period.

## Strategic Goal III. – Acquisition planning development and support

In order to ensure the development of the Armed Forces of the Czech Republic, the MoD implements a system of planning designed seeks to provide integration at all levels of management using the objective based management method. The MoD promulgated an amended internal regulation that newly defines the system of planning in the MoD, defines basic planning documents, planning documents development process and lays down the key principles, manners and forms of planning. The planning, program financing and budgeting processes are mutually integrated in the system. The planning is integrated with defence planning and the NATO and EU capability development process. The plans include the planning of the required capabilities and the ensuing acquisitions.

### Specific objective III.1 Acquisition planning system definition

#### Measure III.1.1 Long-term acquisition planning system development

- The Long-term Perspective for Defence is a document developed for the period of 15 years to express the long-term intention of development, sustaining or phasing out the key capabilities arising from the Defence Strategy of the Czech Republic. The Long-term Perspective for Defence is developed in a four-year period.
- The second long-term planning document is the Directive of the Minister of Defence for planning the MoD activities and development, which contains the political-military assignment by the means of the first and second tier objectives, planning assumptions in the domain of personnel and funding, priorities of the Minister of Defence, strategic and major projects and planning restrictions.
- The third long-term planning document is the CAFDC 2030, which is the strategic policy delineating the key lines of development and describing the strategy to achieve the required status. In terms of armaments, the CAFDC 2030 emphasises that a flexible and effective armaments process is the key precondition for the development of the Czech Armed Forces' military capabilities and enables furnishing the Czech Armed Forces with modern materiel, equipment and services ensuring the meeting o interoperability requirements. The CAFDC also includes an overview of projects. The acquisition projects whose realisation goes beyond the medium term planning period span, are listed in the data inputs for the whole cycle of their realisation.

The measure has the P1 priority, was realised as part of the Strategy 2025 and will be continuously developed throughout the effective period of the Strategy 2030 as needed.

#### Measure III.1.2 Medium term acquisition planning optimisation

- The Medium Term Plan elaborates on the objectives laid down by the Directive of the Minister of Defence and the matrix of objectives for the relevant planning period for five years down to level three through specific measures and tasks and their resourcing.
- The Medium Term Plan provides a material and resourcing basis to all related processes of planning, program financing and budgeting. The developed objectives represent a binding input for the development of annual plans, budgets and acquisition plans.
- The first year planning of the planning period is the first year after the horizon of the medium term outlook of the state budget. The medium term plan includes a list of planned acquisitions. The acquisition projects whose realisation goes beyond the medium term planning period span are included in the data inputs for the whole cycle of their realisation.
- The Medium Term Plan is developed on annual basis.

The measure has the P1 priority, was realised as part of Strategy 2025 and will be continuously developed throughout the effective period of the Strategy 2030 as needed.



### Measure III.1.3 Short-term acquisition planning review and optimisation

- Budget and budgetary outlook. The medium term budgetary outlook is developed (in year N -1) at least for the period of 2 years (N +1 and N +2) immediately after the year for which the state budget is presented (N). The draft MoD budget and draft MoD medium term budgetary outlook are prepared based on the draft budget and medium term MoD budgetary outlook approved by the Government. The budgetary process runs in parallel with annual planning.
- The annual MoD plan is the primary document for managing activities in given calendar year. The text part of the annual plan includes measures; tasks; strategic, major and additional projects to meet the priorities of the Minister of Defence as set forth by the Directive of the Minister of Defence for planning for the given period.
- The Acquisition Plan is developed for the period of N through N+2 years. The acquisition plan includes program financing expenditures, central current expenditures and decentral current expenditures.

The measure has the P1 priority, was realised as part of the Strategy 2025 and will be developed continuously throughout the effective period of the Strategy 2030 as needed.

### Specific Objective III.2 Training of personnel for armaments project management

#### Measure III.2.1 Organisation and provision of specialist project management courses

Personnel development. The key precondition for achieving the objectives under the present strategy is highly trained and ready personnel in the domain of both national and international project management. Human capital is the cornerstone of any organisation, and academic training is therefore one of the most important motivation factors. The MoD has the responsibility for the level of expertise possessed by project managers and acquisition specialists. That primarily involves specialist knowledge in the domain of project management, life cycle management, acquisition process, adequate knowledge of relevant structures and processes of NATO, EU and the V4 countries. To that effect, the MoD makes use of both national and international education activities.

The measure has the P3 priority, was realised as part of the Strategy 2025 and will be continuously developed throughout the effective period of the Strategy 2030 as needed.

#### Measure III.2.2 Certification of the course graduates based on the National Register of Qualifications

The MoD organises and provides specialist project management courses and certification of course graduates based on the National Register of Qualifications in the sense of the Act on the Recognition of Further Education Results (Act No. 179/2006 Coll.), international project management standards, Czech Defence Standards and Czech Technical Standards.<sup>66</sup>

The measure has the P3 priority, was realised as part of the Strategy 2025 and will be continuously developed throughout the effective period of the Strategy 2030 as needed.

<sup>66</sup> That primarily involves: IPMA (International Project Management Association), PMI (Project Management Institute), PRINCE 2 (Projects in Controlled Environment) and PMA (Project Management Academy), CDS 051 655 (System Life Cycle Stages and Processes), ČSN ISO 10 006 (Quality Management Systems – Projects Quality Management Directive), ČSN 10 007 (Quality management systems – Configuration Management Directive), ČSN ISO 31 000 (Risk management – principles and directives).

### Specific Objective III.3 Development of armaments projects realisation expertise

Methodology guidelines are promulgated to provide guidance in specific areas for specialist training, education and methodological support of personnel involved in the development and realisation of armaments projects. Further specialist training will be developed, including in cooperation with the Defence University.

#### The requirements for the development of specialist training and methodological support of personnel ensue from:

- a. The provisions in legal and internal MoD regulations;
- b. The remit of organisational components as per the MoD organisational order;
- c. Job descriptions assigned to systemised posts.

The training of project management personnel and entities observes general principles and issued instructions by the entity responsible for armaments, owner of the armaments project, property manager, directors of organisational components of MoD project management and additional heads of organisational components involved as stakeholders in the preparation and realisation of armaments projects.

#### Measure III.3.1 Optimisation of the process of preparation and realisation of public contracts in the remit of project and contract managers – *in the form of promulgation of methodical manual*

The process of realisation of public contracts in the field of defence is established in accordance with the Act on Public Procurement, EU Directives and is furthermore specified by internal MoD regulations and the relevant methodological guidelines. The realisation of specific objectives in the form of promulgation of methodical manual will make it possible to improve the quality of work by contract and project managers and lead especially new employees of acquisition components methodologically. The methodology will lay down the framework of basic activities and actions for the award and realisation of public contracts in acquisition components and contract execution based on vertical or horizontal cooperation. At the same time, the methodology will set forth the framework of possible sequence of procedure and management system for the most frequently used contracting procedures, actions and activities by all responsible personnel – contracting managers and their superiors, project managers and their superiors, employees providing legal or contractual support, and especially the contracting employees. All those procedures, actions and activities need to be fulfilled in order for the activities defined under the MoD Acquisition Plan to be successfully realised.

The measure has the P2 priority and will continuously be developed throughout the effective period of the Strategy 2030 as needed.





## **Measure III.3.2 Development of principles of the utilisation of outsourced legal services – in the form of promulgation of methodical guidelines**

To the effect of realising specific objectives, the MoD demands to effectively and efficiently utilise external legal services in performance of major, complex and specific case of awarded contracts, especially in the frame of fulfilling strategic and major armaments projects listed in the Directive of the Minister of Defence for planning MoD activities and development.

An outsourced legal service for the support of acquisition process is regarded the performance of legal act, provision of legal advisory or development of legal document for value, on the basis of public contract executed with an external entity in line with the Act on Public Procurement.

The utilisation of outsourced legal services is only permitted in provably exceptional and individual cases in realisation of major, complex and specific cases of centrally awarded public contracts. The criterion for the decision on using outsourced legal services must be based on the conclusions of analysis, which will clearly confirm the effectiveness, efficiency and economy of the selected solution and setting the parameters for the award of the public contract. The basic parameters include:

- Rationale for the need and legitimacy of utilisation of outsourced legal services;
- Required outputs in relation to the acquisition process;
- Rationale for not using in-house MoD legal service;
- Economic evaluation of effectiveness, efficiency and frugality of the required service;
- Risks that substantiate the use of outsourced legal services;
- Presentation of specification of the required outsourced legal service;
- Expected value, manner of award, date of publishing the public contract for the provision of outsourced legal service and the necessary funding.

The measure has the P3 priority and will be continuously developed throughout the effective period of the Strategy 2030 as needed.



## 5.2 Strategic goals and specific objectives supporting the development of defence industry

In order to deliver the vision and the global goal in the domain of support of development of the Czech defence industry, the following objectives are set forth:

- I. Ensuring sustainability and development of defence industrial capabilities of the Czech defence industry  
Instruments:
  - Expert support to the Czech defence industry in international markets;
  - Policy for the support of Czech defence industry on the EU and NATO level;
  - Support to the competitiveness and innovation of the Czech defence industry.
- II. Creating the system of security of supply  
Instruments:
  - Defining the level of the security of supply;
  - Process setting of the security of supply and the manner of participation of the Czech defence industry;
  - Interconnection of peacetime acquisitions with acquisitions planned for crises.

The meeting of Goal I. is conditioned on a truly effective achievement of Goal II. The key precondition for ensuring the security of supply is the maintaining of the existing competitive defence industrial capabilities where necessary in terms of ensuring the security of supply. In defining the goals, objectives and individual measures for realising the goals, the Strategy builds on the interconnection of the security of supply, necessity of a continuous innovation development of defence technologies and the need to ensure technological and financial resources for such development in the Czech Republic and in foreign countries.<sup>67</sup>

### Intervention logic of the support of development of the defence industry



<sup>67</sup> Detailed specific and measurable objectives in individual years are developed continuously in dedicated documents with relevant classification.

## Objectives and measures of the Strategic Goal I.

### Support of the development of the Czech defence industry

<b>Strategic Goal I: Ensuring sustainability and development of the defence industrial capabilities of the Czech defence industry</b>		
<b>Specific objective</b>	<b>Measure</b>	<b>Performed by</b>
I.1 Expert support of the Czech defence industry in international markets.	I.1.1 Expert support of the Czech defence industry in international markets.	CZE MoD / MFA / MIT / MEYS <b>Performed continuously</b>
	I.1.2 Involvement of defence attachés, defence advisors and Embassies in the support of defence industrial cooperation.	CZE MoD / MFA <b>Performed continuously</b>
	I.1.3 Establishment of CZE MoD defence industrial cooperation with foreign partners.	CZE MoD / MFA <b>Performed continuously</b>
	I.1.4 Realisation of expert missions, business missions and official visits in foreign countries.	CZE MoD <b>Performed continuously</b>
	I.1.5 Realisation of missions for foreign partners in the Czech Republic.	CZE MoD <b>Performed continuously</b>
	I.1.6 Realisation of industry days and support to business-to-business (B2B).	CZE MoD <b>Performed continuously</b>
	I.1.7 Development of instruments for the support in international markets in the form of Government-to-Government sales.	CZE MoD <b>Performed continuously</b>
I.2 Support policy of the Czech defence industry on the EU and NATO level.	I.2.1 Coordinated approach to the development of capabilities of the Czech defence industry on the EU and NATO level.	CZE MoD <b>Performed continuously</b>
	I.2.2 Elimination of obstacles for the Small and Medium Enterprises (SMEs) to join international supply chains.	CZE MoD <b>Performed continuously</b>
	I.1.3 Rational transposition and application of the EU Defence Procurement Directive.	CZE MoD <b>Performed continuously</b>
	I.2.4 Creation of European and Transatlantic industrial cooperation framework.	CZE MoD <b>Performed continuously</b>
I.3 Support of competitiveness and innovations of the Czech defence industry.	I.3.1 Support to innovation policy and technological platforms.	CZE MoD <b>Performed continuously</b>
	I.3.2 Support of Small and Medium Enterprises.	CZE MoD <b>Performed continuously</b>
	I.3.3 Support of innovations by the means of ESIF, HORIZON2020, EDIDP and EDF.	CZE MoD <b>Performed continuously</b>

## Objectives and measures of the Strategic Goal II.

## Support of development of the Czech defence industry

Strategic Goal II: Establishing a security of supply system		
Specific Objective	Measure	Performed by
II.1 Defining the levels of security of supply.	II.1.1 Strategic characteristics of suppliers.	CZE MoD Performed continuously
	II.1.2 Optimisation of approach to the life cycle of military materiel.	CZE MoD Performed continuously
II.2 Process setting of the security of supply system and the involvement of the Czech defence industry.	II.2.1 Identification of priorities in the field of ensuring the security of supply.	CZE MoD Performed continuously
	II.2.2 Verification of capabilities to supply military materiel for ensuring capabilities of the Armed Forces of the Czech Republic.	CZE MoD Performed continuously
	II.2.3 Establishing terms and conditions for the involvement of the Czech defence industry suppliers into the security of supply system.	CZE MoD Performed continuously
	II.2.4 Establishing terms and conditions for the involvement of international suppliers in the security of supply system.	CZE MoD Performed continuously
II.3. Interconnection of peacetime acquisitions with acquisitions planned for crises.	II.3.1 Identification of strategic acquisitions in the crisis management plans.	CZE MoD New objective
	II.3.2 Interconnection of plans of economic measures of the CZE MoD for ensuring national security with the peacetime suppliers.	CZE MoD New objective

### Strategic Goal I. – Ensuring sustainability and development of the technological-industrial capabilities of the Czech defence industry

#### 5.2.1. Implementation of objectives of the support of development of the Czech defence industry

The worsening of the global security situation increases the risk that the dependency on foreign defence suppliers will cause a reduction or loss of national defence capability in crisis as a result of the lack of delivery of necessary technologies or means in time, place, demanded quantity and quality. That implies the necessity to realise measures in order to maximise the security of supply, especially through the development of the capabilities of the Czech defence industry, as stated in the CAFDC 2030 and subsequently in the Concept of the Armed Forces of the Czech Republic.<sup>68</sup> For such development, it is essential to secure the necessary technological and financial resources, which are however not sufficient in the domestic market. Awarding contracts to the manufacturers of the Czech defence industry, wherever they produce competitive materiel, plays a critical role. The breadth of the domestic demand, the defence budget and the defence development, research and innovation budget are all limited, which makes it impossible for the defence industry to invest into research, development innovation and new production capacity in many areas. In many cases, those resources do not even allow the retaining of the existing capacity, which entails the threat of another loss in the defence industrial capability. It is therefore essential to seek funding and technological resources in foreign countries as well.

<sup>68</sup> As one of the primary threats for the Czech Armed Forces, the "Loss of key industrial capabilities with impact on ensuring the Czech Republic's essential security interests" is mentioned. See CAFDC 2025, p. 10. at [https://www.mocr.army.cz/images/id\\_40001\\_50000/46088/KVA\\_\\_R\\_ve\\_ejn\\_\\_verze.pdf](https://www.mocr.army.cz/images/id_40001_50000/46088/KVA__R_ve_ejn__verze.pdf)



The role of the Government is irreplaceable in the domain of defining the principles of licensing procedure for trading in military materiel or dual technology and the necessary political support for contract execution, because such defence contracts strengthen or institute a whole new quality level of foreign policy and defence relations between the supplier state and customer state. As an entity participating in the licensing procedure, the MoD provides oversight to prevent possible loss of exclusive know-how by the state granting licence for know-how that is not desirable for sharing.

From the perspective of technological resources, that involves the attainment of new patents, knowledge and capabilities from foreign partners. The MoD primarily supports the transfer of technology into the Czech Republic, participation of the Czech defence industry in NATO and EU international projects or international supply chains.

The strategy defines three basic sets of measures:

- Domestic export support instruments;
- Instruments for the support of cooperation on the EU and NATO level;
- Instruments for the support of competitiveness and innovation.

### **Specific Objective I.1 Expert support of the Czech industry in international markets**

#### **Measure I.1.1 Expert support of the Czech industry in international markets**

- In 2020, the MoD created the MoD Industrial Cooperation Division, whose mission is to support the Czech defence industry and coordinate defence industrial cooperation with foreign countries, and manage applied defence research, development and innovation programs. In performance of tasks in domain the defence industrial cooperation, the MoD cooperates with MFA, MIT and the Ministry of Education, Youth and Sports (MEYS)<sup>69</sup> and provides expert support to the national defence industry in foreign markets.
- The MoD evaluates the potential of individual markets for the national defence industry. In collecting and evaluating data, the MoD closely cooperates with the MIT and MFA. The Ministries together form a trilateral working group for determining framework terms and conditions of defence industrial cooperation in the territories of interest.
- The MoD proposes international cooperation areas and projects to the Defence and Security Industry Association of the Czech Republic in accordance with the Agreement of mutual cooperation between the MoD and the DSIA. The MoD assesses the performance on this Agreement on annual basis and informs the Government.

#### **Measure I.1.2 Engagement of Defence, Army and Air Attachés, defence advisors and embassies in the support of defence industrial cooperation**

- Defence, Army and Air Attachés perform high priority tasks of military diplomacy in foreign countries. As military experts, they also provide a critical support to defence industrial cooperation and the Czech defence industry in their host countries based on instructions and in full and direct cooperation with the local Czech Embassy in the given country.
- MoD defence advisors posted in EU/NATO institutions and other foreign missions do the same. The MoD also sends defence advisors with specific focus on defence industrial cooperation and support of the Czech defence industry into the territories of interest. In relevant territories, defence industrial advisors support the Czech defence industry in the local markets. Besides consulting and interacting, they actively seek specific opportunities for the Czech industry, both in terms of direct export for the host nation's armed forces and involvement of Czech production into the local supply chains.

69 Cooperation via the Technology Agency of the Czech Republic.

### Measure I.1.3 MoD engaging in defence industrial cooperation with foreign partners

- In cooperation with the MFA and the network of Embassies, and in line with the Czech Republic's international commitments and the Czech Government's foreign policy priorities, the MoD proposes and executes memoranda of cooperation with foreign Defence Ministries for the field of defence industrial cooperation, defence research and development, which provide for bilateral working groups focused on coordination of long-term defence industrial cooperation, presentation of defence technologies and training, and the development of common projects.
- In cooperation with the MFA, and in line with the Czech Republic's international commitments and the Czech Government's foreign policy priorities, the MoD makes use of those mechanisms and platforms for a targeted opening of opportunities for the national defence industry in international markets, and negotiates, facilitates and supports direct participation of Czech defence industries in those official platforms. Thus, the MoD both strengthens the relations with the partner nation and enables direct access to foreign users for the industry at the same time.
- As the owner of the implementation of the European Defence Action Plan (EDAP), the MoD advances the Czech Republic's position and advocates the Czech defence industry's interests in EDIDP/EDF as well as in similar by NATO.

### Measure I.1.4 Realisation of expert missions, business missions and official visits in foreign countries

- In cooperation with the MFA, the MoD financially and organisationally supports projects to promote the Czech business sector (PROPED – projects of economic diplomacy) in promising sectors in the host nations. Defence industry business missions are organised in cooperation with the DSIA CR and are a part of official MoD delegations. Likewise, the MoD supports the Czech defence industry in the form of participation and direct interactions in defence exhibitions and airshows in territories of interest.
- In cooperation with the MFA, MIT and the DSIA, the MoD organises Industry Days with the objective to contact foreign partners with Czech manufacturers and support Czech products in local markets. At the same time, the MoD conducts targeted expert missions in support of realisation of specific defence industry projects in the territories of interest.





## Measure I.1.5 Realisation of missions for foreign partners in the Czech Republic

- In close cooperation with the DSIA and the MFA, the MoD organises comprehensive missions for the representatives partner nations' defence, military and law enforcement officials. In the course of such visits, the MoD presents the experience with the introduction of national defence industry's products into the inventory of the Czech Armed Forces and offers direct reference to foreign partners. Together with the DSIA, the MoD arranges visits of Czech industries, and organises, on its own, visits of military installations and demonstrations of defence technologies in use with the Armed Forces of the Czech Republic.

## Measure I.1.6 Realisation of industry days and support to B2B (*Business to Business*)

- The MoD realises subject matter or territorial industry days to present the capabilities of the Czech defence industry to international partners. Creating the room for B2B interactions for domestic and foreign defence industries, both on the sidelines of industry days or as part of bilateral meetings of joint industrial cooperation committees, the MoD facilitates access for the national industry to primary defence contractors from partner nations.
- In case of strategic foreign partners, the MoD organises industry days on regular basis and coordinates development of common defence projects.
- The MoD holds subject matter conferences, exhibitions, round tables and discussions for Czech Government officials and parliamentarians, representatives of defence industries, Ministries, armed forces, security services and the academia.





## **Measure I.1.7 Development of instruments for the support in international markets in the form of Government-to-Government sales**

- In connection with the support of Czech defence industries in international markets, the MoD develops instruments for the realisation of Government-to-Government defence industrial contracts (G2G) in the context of supporting Czech defence industries in international markets. Another tool for the support of Czech defence industries is the execution of intergovernmental memoranda of mutual support in supplies, and support of the military materiel and training life cycle management.
- As part of supporting and developing the Czech defence industry and in the frame of supporting its success in international markets, instruments and institutions of the government support to export, namely the Czech Export Bank (CEB) and Export Guarantee and Insurance Corporation (EGAP), are also used while meeting the goals of the Czech Republic's foreign security policy and promoting the Czech Republic's national interest.
- In case of an acceptable evaluation of financial parameters of export the transaction, return rate of funding, acceptability of contract parties and observance of mandatory terms and conditions, it is possible for the support of the Czech defence industry in international markets to make use of instruments supported by financing and insurance of export loan risks in accordance with the Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and on amendment of the Act No. 166/1993 Coll., on Supreme Audit Office, as amended, while the support may be provided both to manufacturers, exporters and/or suppliers for the state-owned export and manufacturers, exporters and suppliers for private-owned export.

## **Specific Objective I.2. Czech defence industry support policy on the EU and NATO level**

### **Measure I.2.1 Coordinated approach to the development of Czech defence industry's capabilities on the EU and NATO level**

- The MoD's approach to defence industrial activities on the EU level is based on the principle of not duplicating activities in the EU and NATO.
- Along with the DSIA, the MoD works towards an effective use of the existing EU instruments in the Czech environment. In the creation of new instruments, the MoD seeks for them to respect the specific nature of the Czech defence industry as well as of the defence and security as such.
- The MoD actively utilises available options in EU and NATO institutions to advance and defend its interests to include maintaining and development of Czech defence industrial capabilities.

### **Measure I.2.2 Elimination of obstacles for Small and Medium Enterprises (SMEs) to join international supply chains**

- The Czech Republic is a long-standing advocate on the EU level of ensuring compliance with the EU Directive regulating the transfers of military materiel within the EU. The MoD meticulously monitors the observance of transit directives and alerts to the cases of non-compliance.
- In cooperation with the Office of the Government of the Czech Republic, MIT and MFA, the MoD advocates an equal and fair treatment of the subjects of the transfer procedure (Level Playing Field), including those industrial, and non-discriminatory, harmonised export terms and conditions in the whole EU.
- The Czech defence industry largely depends on supply chains it engages in. Partners and direct suppliers are predominantly from European countries. The MoD supports such regulations of competitions for subcontracts in the EU, which will reduce the administrative burden and risks for involved entities and contributes to its more frequent use across the EU Member States.

### **Measure I.2.3 Rational transposition and application of the EU Defence Procurement Directive**

- In the domain of European defence procurement regulations, the MoD focuses on rationalising and mitigating the consequence of the existing inappropriate practice associated primarily with non-harmonised utilisation of the Procurement Directive<sup>70</sup> and only partial solution of market distortions.
- Together with the Ministry for Regional Development (MRD), MIT and MFA, the MoD is committed to such application of European rules (transposition of the Transfer Directive<sup>70</sup> and the Defence Procurement Directive<sup>71</sup>, which does not damage the Czech defence industry and enables effective government. The MoD's attitude on the promulgation of new Commission recommendation on the Procurement Directive is reserved. The MoD interprets the existing recommending procedures non-restrictively. In case it concerns the interpretation of exemptions from EU general principles, the MoD employs a strictly restrictive approach.
- In order to protect national security interests, security of supply and maintaining key defence industrial capabilities, the MoD utilises the Article 346 TFEU exemption and is committed to a more transparent utilisation of the Article across the whole EU with full respect to identical interests of other Member States.

<sup>70</sup> Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC.

<sup>71</sup> Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community.

### Measure I.2.4 Creation of European and Transatlantic industrial cooperation framework

- On the level of the EU institutions, the MoD cooperates on efforts to fine-tune security of supply guarantee mechanisms. If Europe is to have a whole-Union security of supply regime, such regime has to ensure seamless supplies of military materiel and services to EU Member States' armed forces, including supplies for maintenance and servicing in times of peace and stability as well as in crises, towards strengthening the defence posture of the Member States.
- The MoD is committed to building a regime that is sustainable, easily applicable in practice and non-discriminatory while respecting essential national security interests and the difference of the players, especially smaller Member States. The European approach has not always reflected the Czech interests in the past.
- Building a truly balanced and variegated European Defence Technology Industrial Base (EDTIB) is another high priority of the MoD. In the geographical level of this subject, the MoD works towards reflecting regional specificities of defence industries in Central and Eastern Europe in EU activities and its outcomes.
- In terms of ensuring the security of supply, the MoD regards the Czech defence industries delivering final military materiel products as the most important businesses.
- On the systemic level of the subject of a balanced and variegated EDTIB, the MoD is committed to a larger involvement of the Czech defence industry, whose entities are usually in subcontractor position, into cross-border supply chains. The Small and Medium Enterprises, which comprise the majority of defence industry in the Czech Republic, are often the initiators of innovation. Specific instruments are needed to support them. The MoD therefore supports positive Commission and EDA initiatives in relation to Small and Medium Enterprises.
- The MoD supports the Czech defence industry in establishing and cultivating contacts with direct suppliers and in teaming for supplier consortia. Those are often preconceived in discussions at NATO and EDA fora. The MoD supports the participation of experts from the Czech defence industry, research organisations and Universities in relevant working meetings and events designed for B2B interactions in those organisations. The participation of the MIT in international capability building projects (including research and development) entails a number of advantages, primarily enhancement of force interoperability, better conditions for security of supply, improving the position of the Czech defence industry and the Czech Republic as a supplier state, capital and know-how.
- In cooperation with the DSIA, the MoD supports the participation of Czech defence industry representatives in the NATO Transformation Workshop and Industry Days organised by NATO agencies (e.g. NSPA) or associated with various demonstrations and/or exercises.
- The MoD continues to support an active involvement of the Czech science and industry representatives in the informal discussion within CNAD on the involvement of the industry in NATO planning procedures and activities in the frame of FNIE.

### Specific Objective I.3 Support of competitiveness and innovation of the Czech defence industry

#### Measure I.3.1 Support of innovation policy and technology platforms

- As part of the 2022 Defence Applied Research, Development and Innovation Concept, the MoD establishes technological platforms on individual areas of key technology so as to create expert fora, for the representatives of the Czech Armed Forces, MoD, military and civilian academicians and technical experts of MoD state enterprises and the Czech defence industry to consult the intentions for the development of defence technologies and recommend appropriate technological solutions. That generates direct interaction and feedback among the Czech defence industry, the academia and the armed forces, which in turn leads to a more precise and effective targeting of investments of by the government and industry in innovation necessary for national defence. Their involvement in the scientific research sphere stimulates the cooperation and integration of the research environment with the sphere of application. Overall, that helps increase competitiveness of the Czech defence industry.



- The MoD creates a scientific research cooperation among the MoD research organisations, civilian academic institutions and research infrastructures. Thereby, the MoD strives to concentrate national expertise in the most complex fields in the interest of meeting the priorities of defence applied research and development. The expertise is utilised in the realisation of MoD defence research and development projects, while the MoD creates the conditions conducive to the ensuing industrial application and commercialisation of selected outcomes of relevant research and development projects by the means of strategic MoD-sponsored state enterprises, or possibly in cooperation with the Czech defence industry.
- The MoD optimises defence research and development in accordance with relevant national strategic policies, with respect to maintaining technological superiority, to the building of domestic defence technological industrial base and the needs of the Armed Forces of the Czech Republic.
- The MoD supports Czech defence industries, research organisations and the public sector in common research on the basis of advanced technologies as well as high value added products and dual use products.

### Measure I.3.2 Support of Small and Medium Enterprises

- Given the structure of the Czech defence industry, the MoD targets Small and Medium Enterprises with the objective to eliminate obstacles for their involvement in international supply chains. Small and Medium Enterprises are important because of their specific industrial capacities and play a critical role in employment.
- The MoD supports the creation of technological clusters in cooperation with state enterprises of defence industry with the goal to concentrate and integrate innovation capabilities of Small and Medium Enterprises with MoD research and development initiatives.
- It is the MoD's high priority to support the creation of final suppliers of military materiel.
- The MoD actively assists on engaging Small and Medium Enterprises in EDF projects and thus creates conditions for additional financing of such projects.



### Measure I.3.3 Support of Innovation through ESIF, HORIZON 2020, EDIDP and EDF

- The European Structural and Investment Funds and Community Programmes represent an important opportunity to support a closer cooperation with universities on research, development and education of the next generation of experts and specialists from external sources. Although military technologies are not directly eligible for ESIF support, a window of opportunity opens here for a unique financing of development of dual technologies developed for civilian sector but usable for defence purposes, and for increasing competitiveness of defence industry.
- The MoD provides support to the Czech defence industry in obtaining access to those funds for the purpose of innovation and increasing competitiveness. Likewise, the MoD communicates with the DSIA and educational institutions and supports the development of projects designed to increase workforce qualification in order to prevent the drain of qualified personnel in relevant sectors essential for maintaining and developing the defence industrial capabilities. In all those activities, the MoD works together with the MRD, MEYS, MIT and the Ministry of Labour and Social Affairs (MLSA), and with the Commission and EDA on the EU level.
- The MoD is the entity responsible for the implementation of the European Defence Action Plan, which comprises the European Defence Industrial Development Programme (EDIDP) for 2019-2020 and the EDF in the new Multiannual Financial Framework for 2021-2027. In performance of the objectives defined under EDAP, the MoD works with the MIT, MFA, MEYS, and their agencies and institutions. In the realisation of the EDAP objectives, the MoD works with the DSIA and industries, scientific institutions and universities.

### Strategic Goal II. Creation of a Security of Supply System

The present-day European and global markets of defence materiel do not offer necessary guarantees to provide the security of supply of military materiel. The MoD therefore maintains industrial capabilities to preserve the fundamental capacities of the Armed Forces of the Czech Republic, to provide supplies of military materiel and services and deals with the renewal of capacities in case of a lack or neglect thereof. The MoD supports the capability of the Czech defence industry to provide military materiel, albeit in limited quantities and types, if there is an outage of supply from abroad.

To the MoD, defining vital security interests from the point of view of supply of military materiel is a fundamental pillar of the defence capability of the state. Definitions of vital security interests by the MoD are always provable and unequivocal and create the legal basis for the justification of acquisition processes when applying exemptions from EU rules and legislation.<sup>72</sup>

The principles of the Armed Forces of the Czech Republic' development and key operational capacities are elaborated upon in the Czech Armed Forces Development Concept 2030. The Concept operates with the idea of a peace tables of establishment of the Armed Forces of the Czech Republic, which can be quickly replenished with personnel, equipment and materiel through mobilisation of the Armed Forces of the Czech Republic. Replenishment of the Czech Armed Forces with military materiel in case of a military crisis and a state of war represents a vital (critical) security interest from the point of view of security of supply. In accordance with Article 346 TFEU, such interest prevails over other economic and political interests and justifies the shift away from legislation on competition and public order placement.

The MoD defines vital security interests of the state and by managing these, creates conditions for the defence capacity of the state and eliminates the threat of weakened capacities of the Armed Forces of the Czech Republic due to a lack of military materiel. At the same time, the MoD and the SMRA manage mobilisation supplies in the field of economic mobilisation. Together with the MIT and the SMRA, the MoD evaluates scenarios of energy and material supplies for the key defence industry, which also includes the creation of adequate demographic conditions for effective operation.

72 Article 346 TFEU, EU Directive 2009/81/EC.







## Specific Objective II.1 Defining the levels of security of supply

The MoD sets an adequate domestic production capacity as well as legislative measure for the acquisition process of military materiel. Thanks to that, the MoD provides to the Armed Forces of the Czech Republic a volume of military materiel which is necessary to fulfil the tasks of national defence and NATO commitments.

### Measure II.1.1 Strategic characteristics of suppliers

- The MoD defines five levels of security of supply in the context of geopolitical characteristic of the suppliers. This interface plays a key role in acquisition of military materiel. The aim of this categorisation is to clearly define the hierarchy of the levels. This is based on the fact that supply can be guaranteed and enforced in order to maintain the capacities of the Armed Forces of the Czech Republic in all international conditions.
- In order to achieve security of supply, it is also important to maintain cooperation of the MoD with other Ministries and central government bodies, which have authority in their field over the compounds and premises vital for the defence of the state and which can provide, in cooperation with their owners, the use of these premises to defend the state.<sup>73</sup>

#### The MoD defines the levels of security of supply as follows:

##### Level 1:

A complete physical manufacturing of military materiel and provision of services is done in the territory of the Czech Republic by industrial capacities, with which the state entered into an extraordinary relationship. Level 1 entities are selected solely from those Level 2 and 3 entities, which comply with the relevant requests and have the capabilities to enter into an extraordinary relationship with the state. When entering into an extraordinary relationship, Level 2 entities are viewed as a priority for the selection process, which prevails over the Level 3 entities of security supply. No right exists to enter into an extraordinary relationship with the state and such relationship can be terminated immediately, if it can be proven that the supplier does not meet the required conditions. The Government supervises suppliers in its extraordinary relationships, to provide verifiable security of supply. Due to the extended supervision and the extraordinary relationship, the Level 1 entities fulfil, from the point of view of the MoD, the function of a national supplier.<sup>74</sup>

##### Level 2:

A complete physical manufacturing of military materiel and provision of services is done in the territory of the Czech Republic by industrial capacities owned by the state or by industrial capacities where the state owns 100% of the shares. The state fully controls the ownership structure, information security, owns the management of the enterprise and the supply chains. From the point of view of the MoD, state enterprises and companies, where state is the sole shareholder, represent a vital guarantee of the provision of required life cycle stages of military materiel and highest possible security of supply for the Armed Forces of the Czech Republic. Therefore, to fulfil the function of the strategic supplier, the MoD further guarantees an industrial capability on Level 2, which allows to carry out the required life cycle stages for both Land Forces and Air Force technology (premises and entities vital for the defence of the state).

##### Level 3:

Industrial production of military materiel is done in the territory of the Czech Republic by private suppliers. The state does not fully control information security, ownership structure or management of supply chains. The industry is capable of providing all stages of the life cycle. In crisis, Level 3 entities along with Level 1 and 2 entities, become the main suppliers of military materiel with a high guarantee of security of supply. Level 3 industry can also fulfil the role of a strategic supplier if all conditions are met (premises and entities vital for national defence as designated by the Government).<sup>75</sup>

<sup>73</sup> Section 6(2) of the Act No. 222/1999 Coll., on Ensuring the Defence of the Czech Republic, as amended.

<sup>74</sup> A national supplier is a supplier of military materiel, which entered into an extraordinary relationship with the state based on a contract on mobilisation supplies.

<sup>75</sup> Strategic supplier of military materiel is an economic entity with defence industrial capabilities in the territory of the Czech Republic, which are necessary for the provision of security of supply to maintain the defence capacity of the state. The state controls or supervises its ownership structure, security of information and supply chains. The provision of defence industrial capabilities of a strategic supplier is one of the priorities of vital security interests of the state.

**Level 4:**<sup>76</sup>

Industrial production of military materiel is done in the territory of the Czech Republic's strategic allies (mostly NATO and EU members). The level of security of supply is lower and shifts in the international security situation can increase the risks of supply cuts. That is why the Strategy introduces mechanisms to increase security of supply in the field of key technologies, among other by industrial cooperation with the transfer of technologies and guarantees through intergovernmental agreements.

**Level 5:**<sup>77</sup>

Industrial production of military materiel is done in the territory of other foreign suppliers. In case of a crisis, security of supply cannot be guaranteed. It is necessary to provide a technology transfer for the relevant life cycle stages in order to ensure the life cycle functioning.

**Measure II.1.2 – Optimisation of attitude to military materiel life cycle**

- The MoD carries out continuous checks of the defined conditions of security of supply and stages of the life cycle of military materiel owned by the Armed Forces of the Czech Republic.
- The MoD acquires, maintains and develops industrial capabilities of the Czech defence industry in the maximum scope of individual life cycle stages. The defence industrial and acquisition policy of the MoD therefore observes the territorial dimension of security of supply provision as well as the origin of vital components (*the principle of acquisition based on the country of origin*) with the aim to minimize the impacts of political change on the provision of life cycle of military materiel of the Armed Forces of the Czech Republic.

*Life cycle stages* of military materiel form a unit which determines the military capacities of the Armed Forces of the Czech Republic. Without the provision of specific life cycle stages of military materiel in an appropriate time, amount and quality, the Armed Forces of the Czech Republic could see their capacities limited or entirely lost, which would have fatal consequences. The life cycle of military materiel is categorized into six stages – conception, development, production, use, support and decommissioning, which logically follow each other. The stages are divided into phases.<sup>78</sup>



<sup>76</sup> This level includes supply of military materiel which cannot be independently developed or produced in the Czech Republic due to the fact that its defence industry does not have sufficient resources or capabilities and due to the high technological and resource requirements does not plan to acquire them.

<sup>77</sup> The acquisition of these capabilities should not be carried out without the provision of a complex technological transfer.

<sup>78</sup> For the purposes of this document, it is not necessary to define in detail all stages of the life cycle as defined in the Alliance document AAP-48 NATO System Life Cycle Processes and CDS 051655 Life Cycle Processes of NATO Systems. However, an analysis was made of those stages and phases, which directly influence the capabilities of the industry and the Czech Armed Forces.

**Military materiel life cycle stages:****1. Conception**

The conception stage begins with a long-term view for defence and the Concept of the Development of the Czech Armed Forces<sup>79</sup>. The following steps are: defining partial concept of armed forces development, analysing planned and existing capabilities, identifying capability shortfalls, defining minimum requirements for these capacities including its priorities, defining alternate solutions to the capability requirements and estimated life cycle costs<sup>80</sup>, defining the necessary size of the necessary defence infrastructure and determining integrated support.

**2. Development**

The development stage includes gradual creation, detection and specification of information on requirements on military materiel used to meet armaments needs in a way which also meets the requirements for the fulfilment of capacities. It is necessary that this military materiel can be manufactured, supplied, tested (implemented into use by the MoD), evaluated, integrated, operated, provided and decommissioned. At the beginning of this stage, it needs to be determined if the acquired military materiel is available on the market and if it is necessary to establish whether research, development or partial development of the military materiel is needed. Development is a long-term stage which requires a great amount of resources and which is often based on decades of experience and testing. The outcome of this stage is technological know-how, manufacturing documentation (technical conditions) of the demonstrator or prototype of the military materiel.<sup>81</sup>

**3. Acquisition (production)**

The stage of acquisition (production)<sup>82</sup> commences with the development of the documentation of property renewal program<sup>83</sup>, project documentation and overall specification of property. The following steps are a preparation of input documentation for the order, call for order and contract execution. The process ends with the handover of property to the owner for use. At the same time, evaluation is carried out of the acquisition of materiel, property or services (in line with the principles of program financing) in accordance with the approved financial, factual and time parameters of the acquisition. In development projects, the focus is on defining production conditions, preparing the production documentation and applying technological and organisational know-how. Providing resources for production and for the management of the supply chain is absolutely key. If the materiel is developed abroad, the MoD requires, if justified, a transfer of technologies and licences for production. At this stage, it is also necessary to provide vital infrastructure, including storing, depositing and garaging of military materiel.



79 Section 6(d) of the Act No. 219/1999 Coll. on the Armed Forces of the Czech Republic.

80 CDS 051659 NATO instructions for life cycle cost analyses.

81 For the purposes of this document, the Stage of Research and Development combines the conception stage and the development stage as defined in CDS 511655.

82 Item 3.5 CDS 051662.

83 Sections 12 and 13 of the Act No. 218/2000 Coll., as amended.





#### **4. Utilisation**

The stage of utilisation includes a range of activities necessary for the provision of operability of military materiel. To implement this stage, it is key to achieve a continuous supply of spare parts, operational fuels, required size of defence infrastructure of the supplier and provision of service on a required level. It is also necessary to define qualification requirements for service personnel.

#### **5. Support**

The support stage is meant for the provision of maintenance services including the supply of spare parts and specific operational materiel to enable the operation of the military materiel, its maintenance, reliability, potential conservation, storage and subsequent deconservation before further use. This stage also includes making sure the extent of defence infrastructure of the user is sufficient. The stage is completed with the decommissioning of military materiel and with the end of maintenance and provision service within the provision stage. It can be further divided into the repairs phase and modernisation phase.

The repairs phase<sup>84</sup> includes a set of activities aimed at eliminating the impacts of physical wear and tear or damage in order to render military materiel operational. This depends on the availability of spare parts, accessibility of manufacturing documentation, general documentation and technology necessary for the relevant repairs, availability of qualified personnel and a high level of management and quality control. The modernisation phase is very demanding for resources. During this phase, a technical renewal of the military materiel takes place. Another possibility is the adaptation to current requirements of the Armed Forces of the Czech Republic, which takes the form of further development, production and/or integration with other technology. To be able to modernize, it is necessary that the manufacturing documentation of military materiel is available and can be modified.

#### **6. Decommissioning**

The decommissioning stage includes the medium-term and yearly plan of decommissioning of property, defining the technology and procedure of decommissioning, utilization and disposal, end of support service and decommissioning of military materiel itself, including the potential transfer to another organisational unit of the state or a transfer to be sold. It is necessary to evaluate whether the military materiel is suitable for mobilisation build-up or reassignment to mobilisation units.

<sup>84</sup> From the point of view of CDS051655 and AAP-48, the stages are a part of the Support stage and are, for the purposes of this document, defined as separate stages in order to clarify the links to the industry.

## Specific Objective II.2 Procedural setting of the security of supply system and the method of participation of the Czech defence industry

### Measure II.2.1 Identification of priorities in the security of supply domain

From the point of view of industrial capacities, it is possible to categorize the requirements for military materiel into three main groups:

1. Requirements that can be fully met by the Czech defence industry.
2. Requirements that could potentially be met by the Czech defence industry, as it has all the necessary know-how, but only has limited options to finance research, development, innovation and production. If licences are available, the Czech defence industry can provide both the manufacturing and the required life cycle stages.
3. Requirements that cannot be met by the Czech defence industry, as it does not have the necessary know-how, technologies nor production capacities.

The MoD's requirements for the provision of military materiel necessary to support the capabilities of the Armed Forces of the Czech Republic are a vital security interest of the state. If a defence industry manufacturer fulfils the function of the strategic supplier, they can be approached preferentially by the MoD when acquiring relevant materiel.<sup>85</sup>

In accordance with the defined stages of security of supply and key phases of the life cycle, the MoD defines priorities to ensure overall security of supply of military materiel, which includes:

- Stocks of military materiel necessary to ensure the defence capacity of the state and to lead military operations in accordance with the Concept of the Armed Forces Development 2030 and concepts of the Armed Forces of the Czech Republic in the extent of effective standards and norms. The MoD perceives the creation of stock of military materiel as a vital part of security of supply measures, including mobilisation stocks and operational stocks for combat activity.
- Capacities and modes of supply of military materiel from the Czech defence industry<sup>86</sup> and further development of the strategic production capacities of the defence industry of the Czech Republic in accordance with security interests of the Czech Republic.
- In case of military materiel that cannot be provided by the Czech defence industry, providing a method of supply of military materiel from foreign suppliers<sup>87</sup>, from NATO and EU partners and strategic partner states<sup>88</sup>. Especially for ensuring a standard time of repair, the suppliers also generate a stock of common spare parts and subassemblies of technology units in the form of depots located in the territory of the Czech Republic.

### Measure II.2.2 Verification of the capacity to supply military materiel to the Armed Forces of the Czech Republic

- The MoD verifies the capacity of the Czech defence industries to supply military materiel in connection with the needs of the Armed Forces of the Czech Republic.
- The aim of this verification process is to gain sufficient information to ascertain the declaration of the industry regarding its ability to provide the life cycle and crisis (mobilisation) supplies of a specific type of military materiel. The subject of this verification is the capacity of Level 1 and 2 manufacturers/suppliers to fulfil the required life cycle stages of military materiel.

<sup>85</sup> In accordance with Article 346 TFEU.

<sup>86</sup> In case of supply of military materiel which can be provided by the Czech defence industry.

<sup>87</sup> It is necessary to create contractual mechanisms to enable urgent replenishment of military materiel from foreign suppliers and define the manner of their activation.

<sup>88</sup> States can prohibit the export of military materiel through legislative measures. It is necessary to address this in the contract so that such prohibition does not impact the supplies of military materiel for the Czech Armed Forces.

Based on the obtained information, the MoD will propose a manner of placing an acquisition order for military materiel using relevant and binding legislation.<sup>89</sup> The objective is to decide whether the Czech defence industry has sufficient capacity to carry out the order or whether it is necessary to provide the supply of relevant military materiel from other resources. The decision is made in accordance with the presented information.

### **Measure II.2.3 Setting the conditions for the participation of the Czech defence industry suppliers in the system of the security of supply**

From the point of view of providing production of military materiel, the MoD perceives the cooperation<sup>90</sup> with other Ministries and organisations as vital. This cooperation should be based on providing energy<sup>91</sup> and material<sup>92</sup> security with an adequate level of social security (stability)<sup>93</sup>, technology accessibility and measures necessary to create reliable and effective supply chains.

In coordination with SMRA, the MoD verifies annually the level of reaching and keeping necessary volumes of materials, components and other stocks<sup>94</sup> of the MoD stored in SMDA depots. These items are designated for the provision of military materiel intended to cover the needs of the Armed Forces of the Czech Republic in state of emergency, which is usually accompanied by an outage of supplies of materials necessary for the production of military materiel.

The Czech defence industry does not have the capacities and technological portfolio necessary to produce military materiel vital to provide the complexity of the Armed Forces of the Czech Republic's requirements. The MoD therefore defines areas of production and technology<sup>95</sup>, which are considered to be determinative for the defence of the state. The MoD also focuses on companies which provide these necessities and it creates the necessary conditions for the development of these companies.

In view of the fast technological development, the MoD cooperates with other Ministries to create conditions to maintain an overview of the state of abilities of the Czech defence industry. The aim of this activity is to capture and support both progressive technologies with good prospects in the defence of the state, and the digression of the defence industry's capacities which could endanger the continuity of the capabilities of the Armed Forces of the Czech Republic.

If the Czech defence industry is unable to manufacture and supply required military materiel and the MoD must therefore acquire it from other countries, the MoD cooperates with other relevant Ministries to support the participation of Czech companies on Levels 1 and 2 and in the provision of life cycle support<sup>96</sup>, including the control of the supply management by the manufacturer of relevant spare parts. The aim of this support is to keep the dependency on foreign suppliers on a minimum level.

<sup>89</sup> Taking into account Article 346 TFEU.

<sup>90</sup> Act No. 241/2000 Coll., on Economic Measures for Crisis Situations and on the amendment of some related acts, as amended and Act No. 97/1993 Coll., on the jurisdiction of the State Material Reserves Administration.

<sup>91</sup> Energy Security means above all providing sufficient capacities of electricity resources and infrastructure necessary for the distribution of energy.

<sup>92</sup> Material Security means providing sufficient material resources and infrastructure to ensure the supply of materials to the manufacturers, which also includes providing sufficient storage and reserve capacities.

<sup>93</sup> Social Security is a set of measures adopted by the state in order to provide social settlement, meaning adequate remuneration for work, workplace safety, adequate support, healthcare, property security, stable value of money.

<sup>94</sup> This includes the provision of the defence industry with electronic components, microchips, semi-conductors and other components, which are part of a critical defence industry supply chain regulated by the rules for the control of export and dual use technology.

<sup>95</sup> Level of security of supply provision 1 and 2 and life cycle stages 1-5.

<sup>96</sup> This is done for example by contacting directly the state enterprises, requesting the provision of services by the manufacturer/supplier in the Czech Republic etc. Such support is further elaborated upon in following documents. These documents also include further information regarding the participation of other relevant ministries in all cases of localisation and acquisition projects.





## **Measure II.2.4 Setting the conditions for the participation of foreign suppliers in the system of the security of supply**

When the MoD needs to make a decision regarding the introduction of military materiel from a foreign supplier, the MoD mostly focuses on:

### **Conditions in the political and economic domain:**

- Options of alternative provision of military materiel on Levels 1 and 2;
- Producer (country of origin);
- Territory of production;
- Potential political restrictions of supply or use;
- Provision of relevant supply chains of critical materiel and components used in production;
- Production capacities of the manufacturer with a focus on the pace of supply in case of a state of emergency;
- Method and circumstances (restrictions) of transport into the Czech Republic and to the locations required by the Armed Forces of the Czech Republic.

### **Conditions in the logistics domain:**

- Planned usage;
- Lifespan as defined by the manufacturer;
- Planned consumption (training, combat use);
- Method and conditions of storage;
- Method and conditions of transportation to units;
- Method of replenishment, alteration and decommissioning;
- Method of servicing and maintenance;
- Existence of a substitution for given military materiel in order to provide the capacities of the Armed Forces of the Czech Republic in an emergency and the availability of said substitution.

Depending on the results of evaluation of the political, economic and logistics domain, the MoD defines a volume of spare parts and ammunition from foreign providers for a given time and presumed intensity of combat activity. The created stocks allow the Armed Forces of the Czech Republic to fulfil their prescribed tasks until the arrival of first supplies from suppliers based on commercial, bilateral and multilateral contracts. In accordance with reciprocal contracts concluded between the Czech Republic and its partner states, the MoD can allow the sharing of state military materiel reserves.

## II. 3. Interconnecting peace acquisitions with acquisitions planned for state of emergency

### Measure II.3.1 Identifying strategic acquisitions in crisis management plans

A crisis management plan (as a general rule) is a method of government during a state of emergency which threatens the integrity and stability of the state. Crisis management plans react to specific situations with the aim to eliminate dangers which arise from the emergency.

Identifying strategic acquisitions in crisis management plans is a process which aims at optimising the connection between the supplier and the state and assigns responsibility for defining specific types of military materiel and the priority and method of acquisition. This is based on the assumption that conditions for the provision of supplies were defined before the emergency has arisen and are governed by the crisis management plan<sup>97</sup>.

### Measure II.3.2 Interconnecting MoD economic measures plans for ensuring the Czech Republic's security with peacetime suppliers of acquisitions

Mobilisation supplies under economic mobilisation are dealt with in accordance with the requirements of the Armed Forces and the Armed Law Enforcement and **based on a written contract**<sup>98</sup>. The mobilisation supplier defines in his plan the economic mobilisation measures and the method of fulfilling the mobilisation supply. To achieve the planned volume of supply, the supplier must maintain their production capacities, materiel reserves, and a number of personnel necessary to fulfil their contractual obligation. Entering into a contract on mobilisation supply can be perceived as entering into a special relationship between the company and the state, if it benefits a vital security interest of the state. Based on this relationship, it is possible to place orders with the company for peace acquisitions of the same type of materiel in order to maintain the capacity to be able to launch the production aimed at covering mobilisation supply in real time. Due to the current challenges in the field of providing defence industry enterprises with materiel and components and due to the requirements of the armed forces on the fulfilment of mobilisation supply deadlines, the MoD will seek options to launch immediate preparations for mobilisation supply even before the state of emergency is declared.



97 In accordance with the Act No. 241/2000 Coll., on Economic Measures for Crisis Situations and on the amendment of some related acts, as amended.

98 §13, Act No. 241/2000 the Act on Economic Measures for Crisis Situations and on amendment of some related Acts.

## 5.3 Implementation of the Strategy

### 5.3.1 Budget and financing resources

Implementing the Strategy does not require any additional financial resources and does not include any further costs from the state budget. The process is mostly based on the implementation of organisational measures, strengthening the communication and sharing information, creating ministerial regulation, methodology and Czech defence standards, which are already being implemented.

### 5.3.2 Risk management system and prerequisites for implementing the Strategy

Successful implementation of the objectives under the Strategy may be jeopardised by the following risks:

1. Insufficient awareness of the Czech defence industry and other central government bodies of the vision, goals, tasks and measures under the Strategy.
2. Absence of relevant, time-stable and factual plans such as acquisition system orders.
3. Unresolved questions regarding the exercise of property or copyright law to objects of industrial property and other intellectual property, including the outcomes of science and research projects, in which the MoD or its enterprises participate.
4. Insufficient use of the NATO codification system as a source of data and information on the property used by the armed forces of other NATO countries or which is manufactured in countries which use the NATO codification system.
5. Late or no regulation to implement the principles of effective, efficient and frugal armaments and acquisition of capabilities.
6. Lack of willingness to modify acquisition procedures with a more appropriate application of exemptions permitted under European legislation.
7. Failure to observe the principles defined under the Strategy.

The risk management system is a part of project management and is addressed at every single major armaments project.

### 5.3.3 Communication activities

The aim of the MoD in the field of communications is to inform the relevant parties about the existence, objectives and contents of the Strategy and its implementation. Chosen information is available on the website of the MoD Armaments and Acquisition Division.<sup>99</sup> Communication with the defence industry is focused on the future course of the Armed Forces of the Czech Republic and on the plans for acquisition of military materiel. Similarly, communication with academia is being strengthened in evaluating the possibilities of science, research, development and innovation with a focus on defining realistic requirements for capacities, as well as when evaluating the capabilities of the defence industry, anticipated directions of technological development and the possibility of using dual use technology.

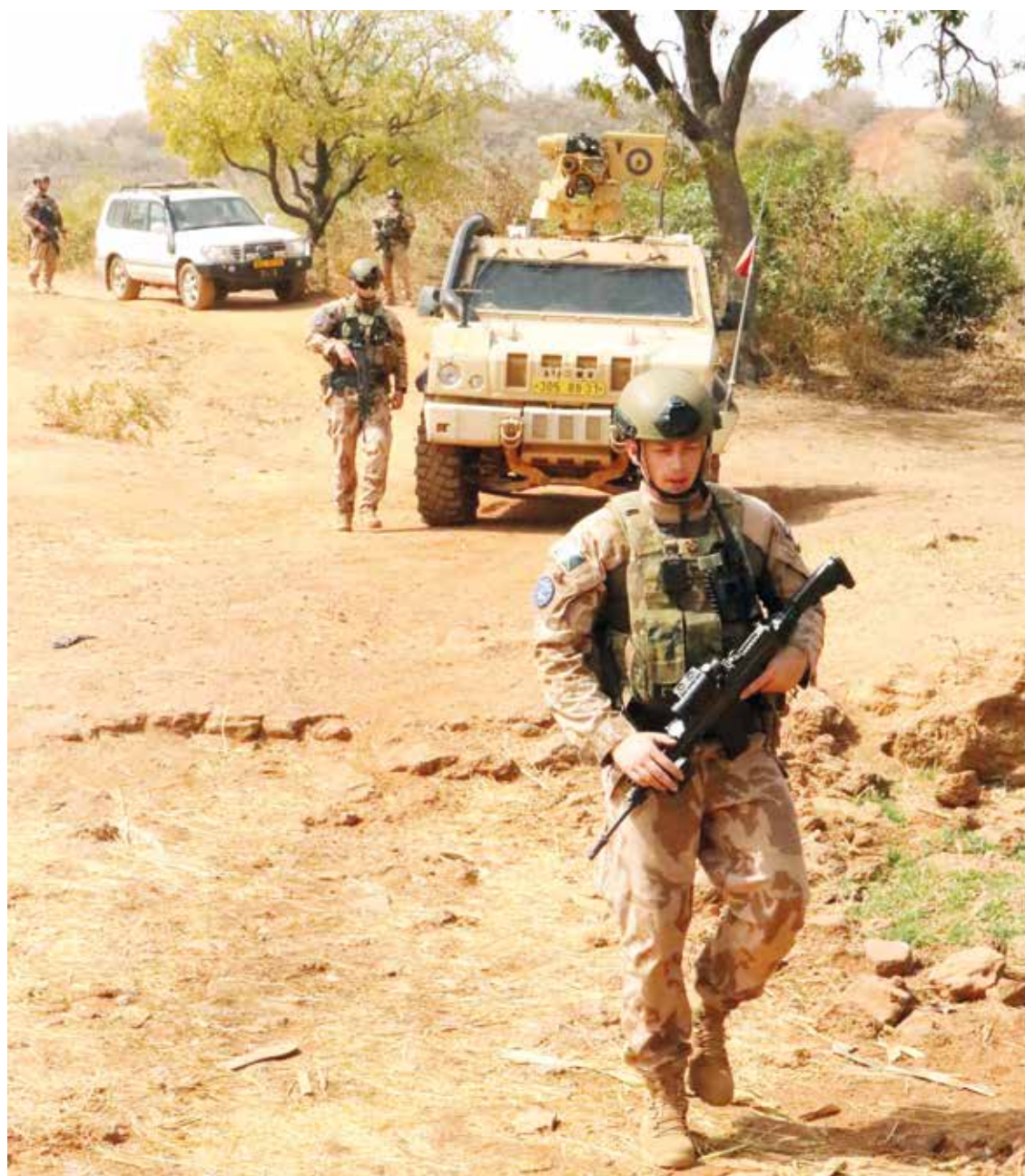
The MoD communicates to the Parliament of the Czech Republic and its relevant Committees, the Committee for Defence Planning, National Security Council and the Government its intentions and methods of acquisition orders.

1. Informing the stakeholders and the general public about the authorisation of the Strategy	
<b>Objective</b>	Informing about the existence and measures of the Strategy
<b>Timeframe</b>	Upon authorisation by the Government
<b>Content</b>	Rationale for the Strategy's creation, its goals and activities, expected costs, benefits and impacts
<b>Form</b>	Press releases on the MoD website

<sup>99</sup> <http://vyzbrojovani.army.cz>



2. Publishing the documents relative to the implementation of the Strategy	
<b>Objective</b>	Transparency of the process of implementing the Strategy and accessibility of information for all relevant stakeholders as well as the general public
<b>Timeframe</b>	Continuously
<b>Content</b>	Publishing <ul style="list-style-type: none"> <li>· Current version of the Strategy;</li> <li>· Annual reports on the performance on the Strategy in the past calendar year;</li> <li>· Relevant outcomes of the implementation of the specific measures under the Strategy.</li> </ul>
<b>Form</b>	Publishing relevant documents on the MoD websites







## 6. Conclusion

The Strategy 2030 defines the vision, goals and principles of armaments and support of development of the Czech defence industry. Its implementation will enable equipping the Armed Forces of the Czech Republic with modern, efficient, safe and interoperable military materiel and services, which the Armed Forces of the Czech Republic need in order to provide the required capabilities across the whole spectrum of current and future operations relative to the given resource framework, planned timeframes and demanded quality.

The Strategy paves the way for an effective, efficient and economic process of armaments of the Armed Forces of the Czech Republic by the means of a stable and long-term planning of capability development, effective and transparent acquisition process and maximisation of the potential of cooperation with the Czech defence industry in the whole life cycle of military materiel. The realisation of the outcomes and measures defined hereunder achieves the objectives of the Strategy.

The Strategy is developed with outlook till 2030. The next review is dependent on updating of the Czech Republic's strategic policies in the domain of defence.

## 7. Annexes

### 7.1 Primary areas of security of supply for ensuring the needs of the Armed Forces of the Czech Republic

In terms of *security of supply*, the MoD seeks to maintain serviceability and operational reliability of military materiel of the Armed Forces of the Czech Republic and to attain a guaranteed security of supply and services in place and time as needed by the Armed Forces of the Czech Republic with respect to the stages of the military materiel's life cycle. The MoD regards the planned length of operational deployments<sup>100</sup> as the primary precondition for maintaining the capabilities of the Armed Forces of the Czech Republic, including in crisis scenarios involving outages in the supply of military materiel from foreign countries. The MoD attaches a high emphasis on the unification of military materiel and implementation of defence standards (CDS, STANAG).

In ensuring the security of supply, the MoD pays a high attention to the following domains:

- a) **Ensuring security of supply in case of military crisis and state of war** requires the knowledge of equipping the Armed Forces with military materiel. The Armed Forces has to be resupplied and supplied with the materiel it has in the inventory and the service personnel have trained on. The MoD seeks to achieve:
  - For the materiel introduced into the Czech Armed Forces' inventory, maintain industrial capacities of the Czech defence industry capable of commencing the production of military materiel and relevant services throughout its life cycle in the Armed Forces of the Czech Republic.
  - Ensure industrial capacities of the Czech defence industry for the production of military materiel designated for the build-up of the Czech Armed Forces to wartime establishment.
  - Ensure the composition of materiel in the State Materiel Reserves according to the requirements of the Armed Forces of the Czech Republic and the defence industry so as to create preconditions for an accelerated run-up of the production of the required production of the required items of military materiel.
  - In cooperation with the MIT and MoF, create economic conditions for the suppliers of military materiel introduced to the Czech Armed Forces' inventory in order for the suppliers to be able to respond to the requirements for ensuring the supplies of military materiel in cases of military crises and the state of war.
- b) **Ensuring the security of supply of servicing and spare parts (SPs) or military materiel** requires that the MoD had a sound knowledge of the diversity of servicing providers and SPs suppliers with emphasis on critical SPs suppliers. The supplies of critical SPs are dependent on a narrow manufacturer/supplier portfolio.<sup>101</sup> Therefore, the MoD:

<sup>100</sup> For example, the rotation for battle group is planned in the interval of 6 months.

<sup>101</sup> There can be a sole source supplier of critical SPs with some types of equipment, such as precision guided ammunition.



- Plans and manages the life cycle of weapons and equipment already in the acquisition phase by a thorough analysis of contract placement conditions.<sup>102</sup>
  - Defines the terms and conditions of servicing for Level 1 and 2 as a matter priority.<sup>103</sup>
  - Ensures a common approach of the MoD to foreign and domestic manufacturers / suppliers in the field of ensuring servicing for the military materiel.<sup>104</sup>
  - Identifies the influence of component failure on the degree of compromise of the capabilities of weapons and equipment.
  - Identifies critical SPs of specific types of equipment.<sup>105</sup> Creates an overview of critical SPs manufacturers/suppliers and verifies the MoD capabilities to procure from those manufacturers/suppliers.
  - Predicts the consumption of critical SPs depending on the required coefficients of technical readiness.<sup>106</sup>
  - Ensures the availability of critical SPs through the creation of stockpiles and ensures their maintenance on the defined level (in units as well as in maintenance facilities).
  - Contracts for the outage of SPs supplies (not only critical SPs) already as part of the acquisition process with the objective to ensure the development and implementation of alternative solutions that will ensure serviceability of weapons and equipment while minimising the loss on original capabilities.
  - Monitors and ensures the capabilities of key manufacturers/suppliers to identify solutions for an unavailable critical SP.
  - Minimises risks in the domain of ensuring the supplies of SPs through appropriate cooperation with partners (NATO, EU, a strategic partner, treaties and agreements on state level).<sup>107</sup>
  - Plans and performs modernisations of military materiel with respect to technology development and life cycle phase.
  - Plans the interconnection of supplies in peacetime with supplies in the state of national emergency of the state of war.
  - Decommissions military materiel before the end of life cycle from active use and puts it into mobilisation reserves for the rest of its service life. Replaces that decommissioned materiel for active use by the units with new materiel.
- c) **Ensuring the security of supply of ammunition:** given the insufficient stockpiles of the Armed Forces of the Czech Republic with practically all types of ammunition, the MoD regards this area as an important factor of ensuring national defence capability of the Czech Republic and sustainability of forces on operations.<sup>108</sup> The MoD therefore advocates:
- *Ensuring supplies of ammunition from Level 1 and Level 2 suppliers*<sup>109</sup>: For crisis scenarios, the MoD procures the supply with primary types of ammunition by Level 1 and Level 2 suppliers, including the organisation of transition of selected manufacturers/suppliers to ammunition related production. The MoD verifies and evaluates the organisation and preparedness of relevant changes in the production of designated manufacturers/suppliers, including the supply with materiel. Because of essential national security interest, the MoD specifies the types of ammunition that are acquired from the Czech defence industry manufacturers<sup>110</sup> as a matter of priority with the objective to maintain production capacities for supplying the Armed Forces of the Czech Republic as part of crisis scenarios in the event of outage of other ways of procuring ammunition.

102 Life cycle processes are described under CDS 0516555 NATO Materiel Life Cycle Processes.

103 Level 3 is admissible for life cycle stages 4 and 5 only with the military materiel for which the Czech defence industry is not able to provide for those stages, including in the long run (e.g. JAS-39 Gripen).

104 That alludes to the definition of common demands by the MoD vis-à-vis foreign and domestic suppliers in the field of ensuring servicing for military materiel.

105 Availability of technology is dependent on primary customer in accordance with International Traffic in Arms Regulations (ITAR).

106 In practice, the Pareto Analysis (ABC) and Pareto Principle (80/20) apply, i.e. 80% non-serviceability of equipment is caused only by 20% of parts.

107 That may involve, for example, sharing of SPs to weapons and equipment in the inventory of multiple states.

108 "The Czech Armed Forces has not yet provided the solution for the replacement of the loss of personnel and materiel, the stocks of some items do not cover even a week's worth of combat activity. There is not the necessary stock of materiel in the depots even for regular units, not even to cater for the combat losses, nor for mobilisation. Replenishing stocks for just one month of activity presently demands almost CZK 20 billion". (Quote Mičánek, František, a kol., Zpráva o stavu zabezpečení obrany ČR v roce 2014 – myty a realita, Vojenské rozhledy, 2014, roč. 23 (55), č. 2, ISSN 2336-2995 (online), available at [www.vojenskerohledy.cz/aktuality/2-uncategorised/66-zprava-o-stavu-zabezpeceni-obrany-cr-v-roce-2014-myty-a-realita](http://www.vojenskerohledy.cz/aktuality/2-uncategorised/66-zprava-o-stavu-zabezpeceni-obrany-cr-v-roce-2014-myty-a-realita)).

109 Level 1 and Level 2 suppliers are not able supply ammunition for the Czech Armed Forces in the whole spectrum, especially air ammunition and air defence missiles.

110 Directive of the European Parliament and of the Council 2009/81/EC, Article 346(1)(b) TFEU (ex Article 296 TEC).

- Ensuring supplies of ammunition from Level 3 and Level 4 suppliers: the MoD realises that the procurement of military materiel abroad always generates dependency both on foreign suppliers and go-betweens as well as on the political situation<sup>111</sup> that affects its immediate availability.

## 7.2 Relevant legislation

- Act No. 134/2016 Coll., on Public Procurement, as amended.
- Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts.
- Act No. 309/2000 Coll., on Defence Standardisation, Codification and Government Quality Assurance of Products and Services Designated for National Defence and on amendment of the Trade Licensing Act, as amended.
- Act No. 240/2000 Coll., on Crisis Management and on amendment of some Acts (the Crisis Act), as amended.
- Act No. 241/2000 Coll., on Economic Measures for Crisis Situations and on amendment of some related Acts, as amended.
- Directive 2009/81/EC of the European Parliament and the Council of 13 July 2009 on the Coordination of Procedures for the Award of Certain Work Contracts, Supply Contracts and Service Contracts by Contracting Authorities and Entities in the Fields of Defence and Security and on the amendment of directives 2004/17/EC and 2004/18/EC.
- Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.
- Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 simplifying terms and conditions of transfers of defence-related products within the Community.

### Other strategic policies and Acts

- Security Strategy of the Czech Republic, authorised by the Resolution of the Government of the Czech Republic No. 79 of 4 February 2015.
- Defence Strategy of the Czech Republic, authorised by the Resolution of the Government of the Czech Republic No. 194 of 13 March 2017.
- Act No. 222/1999 Coll. on Ensuring the Defence of the Czech Republic, as amended.
- Act No. 219/1999 Coll., on the Armed Forces of the Czech Republic, as amended.
- Act No. 585/2004 Coll., on Liability to Conscription and its Ensuring, as amended.
- Export Strategy of the Czech Republic 2012-2020, authorised by the Resolution of the Government of the Czech Republic No. 154 of 14 March 2012.
- Strategy for the Relationship between the Government and the Defence and Security Industry of the Czech Republic, authorised by the Resolution of the Government of the Czech Republic No. 631 of 14 August 2013.
- Technology Trends Survey "Future Emerging Technology Trends" HQ Supreme Allied Commander Transformation, Defence Planning Policy and Analysis Branch, version 3, February 2015.
- Long-term Perspective for Defence 2035, authorised by the Resolution of the Government of the Czech Republic No. 187 of 18 March 2019.
- Czech Armed Forces Development Concept 2030, authorised by the Resolution of the Government of the Czech Republic No. 758 of 30 October 2019.
- Applied Defence Research, Development and Innovation Concept 2016-2022, authorised by the Resolution of the Government of the Czech Republic No. 246 of 21 March 2016.
- NATO AQAP 100 Policy on an Integrated Systems Approach to Quality through the Life Cycle.
- AC/259-N(2009)0022, NATO Interoperability Policy.
- Czech Republic's Territory Operational Preparation Concept, authorised by the Resolution of the Government of the Czech Republic No. 79 of 25 January 2017.
- Mobilisation Concept of the Armed Forces of the Czech Republic, authorised by the Resolution of the Government of the Czech Republic No. 51 of 23 January 2013.

<sup>111</sup> For example the Council Decision 2014/512/CFSP of 31 July 2014 concerning restrictive measures in view of Russia's action destabilising the situation in Ukraine.

## 7.3 Acronyms

AFCR	Armed Forces of the Czech Republic
AI	Artificial Intelligence
B2B	Business to business
C4ISR	Command, Control, Communication, Computers, Intelligence, Surveillance and Reconnaissance
CAFDC 2030	Czech Armed Forces Development Concept 2030
CBRN	Chemical, Biological, Radiological and Nuclear
CDS	Czech Defence Standard
CFIO	Cyber Forces and Information Operations
CNAD	Conference of National Armaments Directors
DI	Defence Industry
DPSD	MoD Defence Policy and Strategy Division
DSIA CR	Defence and Security Industry Association of the Czech Republic
EDA	European Defence Agency
EDAP	European Defence Action Plan
EDF	European Defence Fund
EDIDP	European Defence Industrial Development Programme
EDTIB	European Defence Technology Industrial Base
ESIF	European Structural and Investment Funds
EU	European Union
FMF / FMS	Foreign Military Financing / Foreign Military Sales
FNIE	Framework for NATO – Industry Engagement
G2G	Government to Government



GDP	Gross Domestic Product
GS	General Staff
ISR	Intelligence, Surveillance, and Reconnaissance
LCC	Life Cycle Cost
MoD	Ministry of Defence
MoD AAD	MoD Armaments and Acquisition Division
MoD ICD	MoD Industrial Cooperation Division
MoF	Ministry of Finance
MRD	Ministry for Regional Development
MIT	Ministry of Industry and Trade
MLSA	Ministry of Labour and Social Affairs
MEYS	Ministry of Education, Youth and Sports
MFA	Ministry of Foreign Affairs
NATO	North Atlantic Treaty Organization
NSPA	NATO Support and Procurement Agency
SMEs	Small and Medium Enterprises
SMRA	State Material Reserves Administration
SP	Spare Part
STO	NATO Science and Technology Organisation
TACR	Technology Agency of the Czech Republic
TFEU	Treaty on the Functioning of the European Union
V4	Visegrad Four



# STRATEGY

## **Armaments and Defence Industry Development Support Strategy of the Czech Republic till 2030**

Published by the Ministry of Defence of the Czech Republic – MHI Prague  
Military History Institute in Prague, U Památníku 2, 135 00 Praha 3,  
Czech Republic

**[www.army.cz](http://www.army.cz)**

**[www.vhu.cz](http://www.vhu.cz)**

Translation by Veronika Trusová, Jan Jindra

Design by Milan Syrový

Photos by Michal Voska, Jana Deckerová, Jan Kouba and Vladimír Marek

Printed in May 2022

Printed by ASTRON print, s. r. o.

1st Edition





