

GUIDELINES FOR THE INVOLVEMENT OF THE DEFENCE AND SECURITY INDUSTRY IN STRENGTHENING DEFENCE CAPABILITIES

For the successful development of defence capabilities, it is essential to ensure the involvement of the national industry in the performance of the National Armed Forces (NAF) tasks. National defence is strengthened, industry development is supported, and defence budget resources are invested in the national economy by ensuring security of supply and the local industry's capacity to supply the necessary goods to the NAF, as well as by developing local entrepreneurs' ability to produce dual-use and military products.

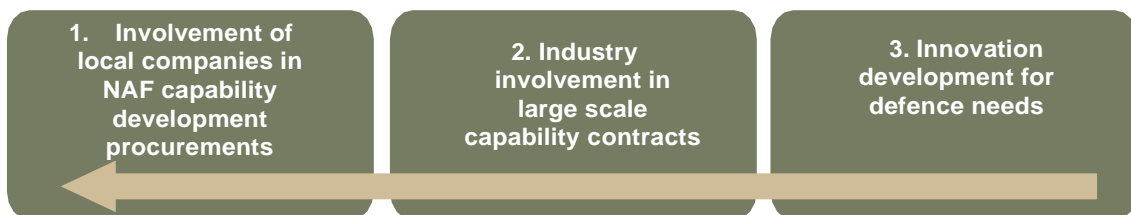
The Defence Industry Law defines the objective of the industry's support policy—to promote the establishment and maintenance of a defence industry that:

- can make practical contributions to the fulfilment of the NAF's peace, crisis, and wartime tasks;
- reduces the security of supply risks for the NAF;
- is internationally competitive and export-oriented;
- fully utilizes the potential of local research institutions to create innovative military or dual-use products;
- is capable of integrating into the supply chains of partner countries' military companies.

The Guidelines for the involvement of the defence and security industry in strengthening defence capabilities provide a vision for the industry's involvement over the next four years (2025–2028) in the areas of capability development, maintenance, and military infrastructure development in line with the NAF long-term development plan for 2025–2036.

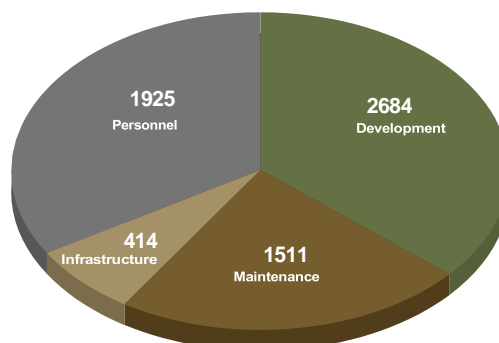
The Guidelines provides information for the industry on opportunities to participate in NAF procurements for combat support capabilities` development (Chapter I), in major NAF capability development projects (Chapter II), as well as in the innovation and technology development for defence needs (Chapter III).

OPPORTUNITIES FOR INDUSTRY INVOLVEMENT



Funding Allocation by Expense Categories 2025 – 2028, million EUR¹

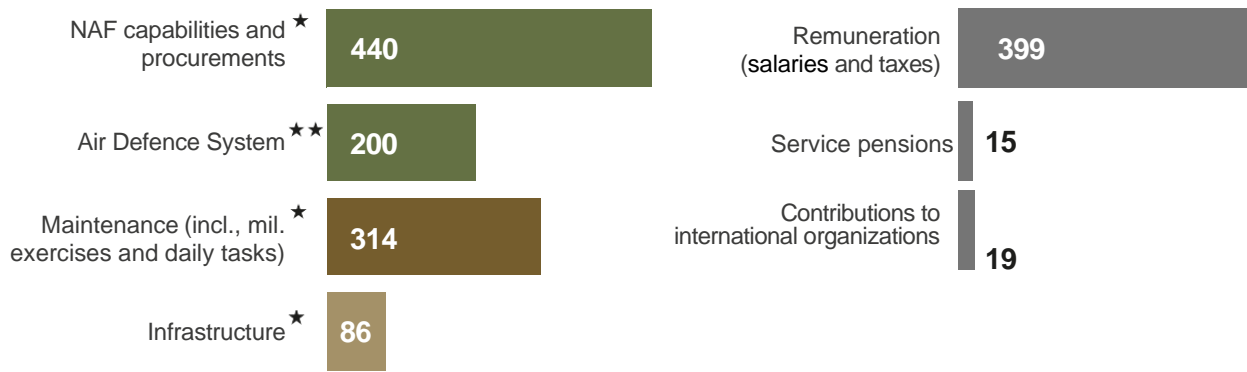
NAF funding for the period 2025–2028 is 6.534 billion EUR.



¹ Excludes civil budget categories.

FUNDING ALLOCATION FOR 2025, MILLION EUR

NAF funding for 2025 is 1.473 billion EUR.



* Industry involvement
** Industry involvement in security of supply framework

1. INVOLVEMENT OF LOCAL COMPANIES IN NAF CAPABILITY DEVELOPMENT

This section provides information on the main investment directions or NAF orders across four procurement groups: stockpiles and supplies, combat support capabilities, infrastructure development, and the maintenance of vehicles and military materiel. The section provides the key investment areas and fields where opportunities for participation by the Latvian industry have been identified.

1.1. Investments for the development of stockpiles and supplies for 2025–2028 are provisionally estimated at 500 million EUR. The development of stockpiling is essential for the NAF to fulfil tasks assigned to it. The Ministry of Defence aims to ensure that critical supply needs are delivered by the local industry, thereby enhancing the security of supply. This policy is based on the priority areas for the development of the defence industry outlined in the State Defence Concept.

The following major investment areas are planned in the medium term (which may be refined during the implementation of the NAF Long-term development plan):

Ammunition – 210 million EUR:

- ammunition of various calibres and components, explosives, detonators.

Individual equipment – 106 million EUR:

- soldier tactical/ballistic vests with components, ballistic helmets with components, components of combat uniforms, and other equipment – acquisition for the NAF personnel is based on the planned personnel increase.

Transport support – 92 million EUR:

- 4x4 vehicles, logistics transport – cargo transport, brigade-level support transport, etc.

Armament – 31 million EUR:

- various types of collective and individual weapons.

Collective equipment – 25 million EUR:

- containers, tents, camouflage nets.

Optics/ electro-optics – 20 million EUR:

- thermal sights, night vision devices.

Food – 13 million EUR:

- MRE, drinking water, and crisis food stockpiling.



1.2. Investments for the development of combat support capabilities for 2025–2028 are provisionally estimated at 200 million EUR. This is the second procurement group, where active participation from the local industry is expected. The largest investments are planned for the following combat support capabilities:

Development of unmanned capabilities – 80 million EUR:

- autonomous air, ground, and maritime sensors for observation, reconnaissance, target identification, and target recognition functions; provision of kinetic effects by unmanned systems and guided munitions.

Command and control capability – 57 million EUR:

- communication support, information and communication technology equipment, software.

Medical support capability – 47 million EUR:

- medical supplies, equipment, instruments, hygiene products, resources for building up medical support (Role 1/Role 2) stockpiles.

Military engineering capability– 16 million EUR:

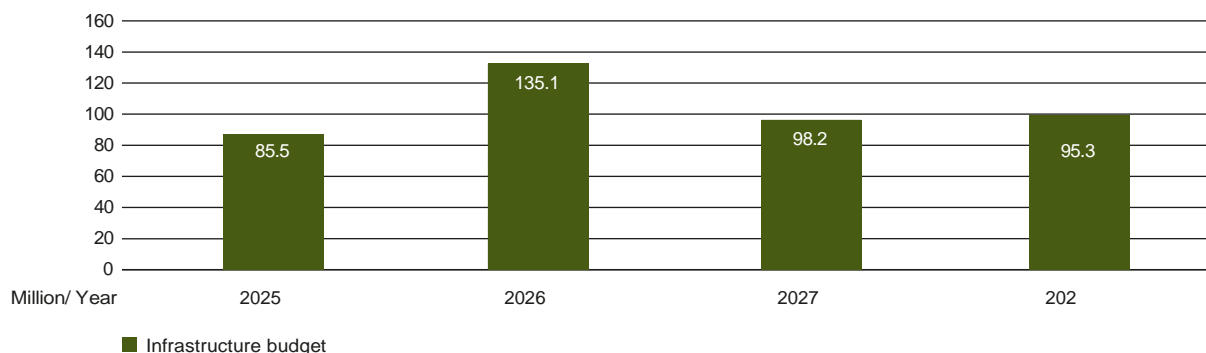
- equipment necessary for the implementation of counter-mobility measures – construction materials, mine plows for establishing minefields, ammunition storage facilities; force protection measures to enhance survivability – field fortifications, reinforced concrete containers, shelters, mobility equipment, as well as construction works for battlefield preparation.

1.3. Investments in infrastructure development

It is planned that over 400 million EUR will be invested in military infrastructure in the medium term, by 2028.

The main priorities for infrastructure development include the establishment of training areas and the infrastructure for supporting the National Defence Service and for accommodating allied forces.

DEFENCE SECTOR INFRASTRUCTURE BUDGET FOR 2025 – 2028, MILLION EUR.



Major planned investments in infrastructure projects for 2025–2028 (approximate amounts indicated):

- National Guard bases (Daugavpils un Lužnava – National Defence Service infrastructure, Jekabpils, Dobeļe and others) – 97 million EUR;
- Selonia Military Training Area – 92.3 million EUR;
- Adazi Military Base – 80 million EUR;
- NAF Air Base “Lielvarde” – 40 million EUR;
- construction of warehouse facilities in Kurzeme, Zemgale, Vidzeme, and Latgale regions – 35 million EUR;
- Liepāja Military Base – 23 million EUR.

Strategically important investments are also planned for strengthening the Eastern border:

- construction materials (dragon's teeth, Lego-type blocks), various types of sensors, and infrastructure construction works – 91 million EUR.²

1.4. Investments in Maintenance

A significant portion of the defence budget is allocated for maintenance expenses, ensuring both the daily operations of the NAF units and the support of defence capabilities.

NAF maintenance is related to the support of various NAF functions, including funding for international operations, military training and exercises, unit equipment maintenance, daily support, and individual and collective equipment. The dynamics of the maintenance budget are linked to the development of new capabilities, the establishment of new units, and the introduction of associated materiel.

Industry involvement is expected in the centralized procurement and maintenance of NAF logistics resources during 2025–2028, with a total estimated investment of 297 million EUR.

The planned major investment areas are the following:

- all types of ammunition, weapons, optical devices, incl. for for training purposes, and associated lifecycle services – 130 million EUR;
- transport and vehicle maintenance, repair, and acquisition – 55.6 million EUR;
- catering and food processing equipment – 53.4 million EUR;
- goods and services related to the collective equipment – 36 million EUR;
- military exercises (host nation support, catering, fuel, rentals, training supplies and equipment, as well as the provision of infrastructure for exercises) – 22 million EUR.

² The budget allocated for infrastructure is not intended to be the sole source of funding for strengthening the Eastern border.

A detailed list of the largest planned defence sector procurements for 2025–2028 in the domains of combat support capabilities and stockpiles and supplies can be found in Appendix No. 1.³



³ The appendix includes information from the Centralized Procurement Plan. This information is updated quarterly in accordance with the needs and priorities of the National Armed Forces (NAF).

2. PARTICIPATION OF LOCAL INDUSTRY IN MAJOR CAPABILITY PROJECTS

Security of supply in large scale NAF capability procurements has been established as one of the priorities for the development of the national defence industry. One of the criteria for ensuring security of supply is the requirement to involve local subcontractors at a rate of 30% in the contract execution process. This requirement is set by the Ministry of Defence for procurement contracts that aim to establish or strengthen strategically significant capabilities, with exceptions for intergovernmental contracts, contracts under foreign support programmes, and in cases where the international procurement cooperation format does not allow it.

Stipulating such a requirement in contracts not only secures additional investments for local businesses, but also promotes technology transfer, the creation of new partnerships between foreign and local companies, and the development of new defence industry capabilities.

Security of supply requirements are defined by the Defence Industry Law. Supply chain security and resilience of the defence industry are guarantees that minimize the potential for third-party interference in the delivery of goods or services necessary for the NAF, and that also ensures compliance with NAF tasks that are defined in national regulations or the international commitments of the Republic of Latvia.

Till 2024, The Ministry of Defence has signed five contracts that include security of supply requirements related to the involvement of the local industry.⁴

- contract with Eurospike for the acquisition of Spike weapon systems in 2018, industry involvement– 10%;
- contract with ECA Robotics for the modernization of the mine countermeasure systems for the Imanta-class ships in 2019, industry involvement - 17%;
- contract with Systematic for a Command and Control solution in 2019, industry involvement – 15%;
- contract with Patria OY for the delivery of 6x6 armoured personnel carriers in 2021, industry involvement - 30%;
- contract signed with Diehl Defence, for the acquisition of a medium-range air defence system in 2023.



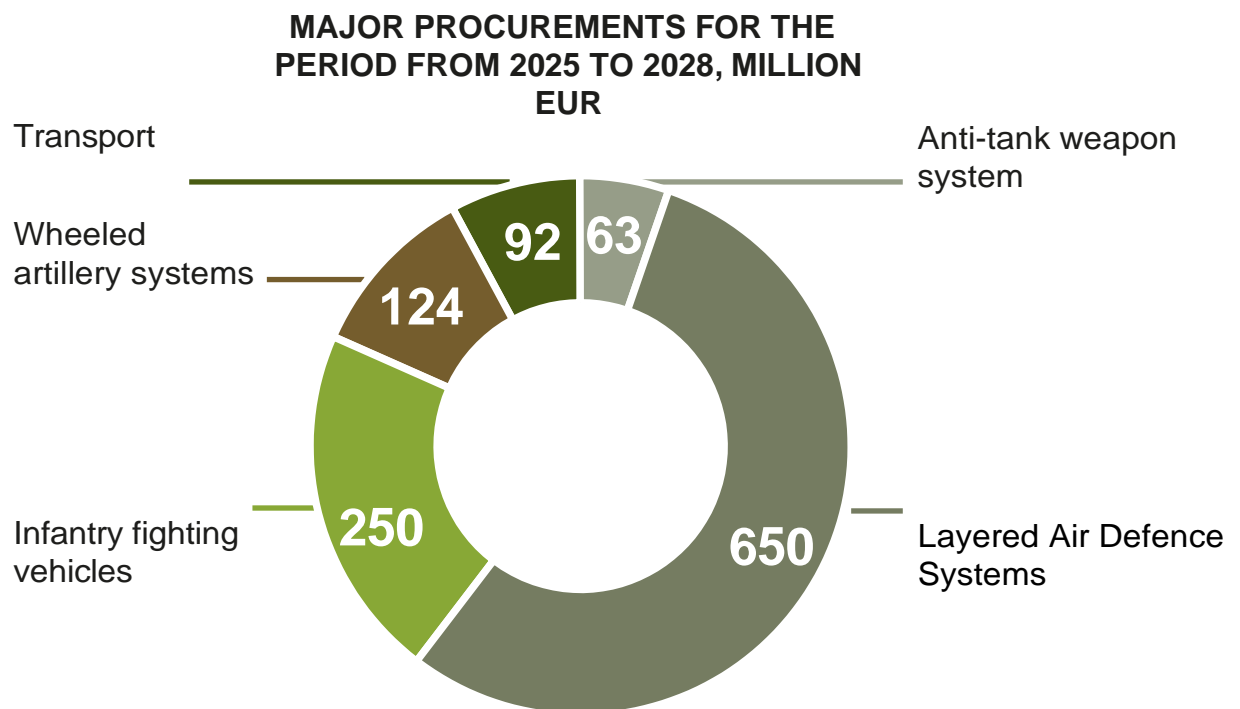
⁴ It should be noted that the selection of cooperation partners in Latvia is the responsibility of the foreign contractor. The Ministry of Defence can provide informational support.

Areas where local industry involvement has been implemented so far:

- manufacturing of elements of ordered systems – particularly in machinery and metalworking, electronics, and the production of electronic and electrical wires and cables;
- information and communication technology services;
- engineering services;
- transport and logistics services;
- research, development, and innovation services;
- prepacking and packaging services;
- lifecycle maintenance of materiel (repairs, maintenance, provision of spare parts);
- other areas agreed upon with foreign contractors as a result of consultations.



Based on the capability priorities outlined in the NAF long-term development plan, several large scale procurements can be forecasted for the period from 2025 to 2028 (million EUR), which are expected to involve national industry to ensure security of supply requirements. The following graph indicates the planned amounts for the four years (with larger amounts projected for respective capabilities in the long term).



3. SUPPORT FOR INNOVATION AND TECHNOLOGY DEVELOPMENT FOR DEFENCE NEEDS

The defence sector is focused on integrating innovative products and services into the NAF. Strengthening cooperation between businesses, research institutions, and the defence sector is crucial. Along with the advancements in technology new solutions are being introduced into the armed forces, providing opportunities to gain advantages on the battlefield and achieve objectives more efficiently.

Ministry of Defence annually allocates direct funds to defence innovations and industry support is allocated from the Ministry of Defence and NAF budgets. The amount of funding invested in defence innovation has a growing trend (see Appendix No. 2). Annual investments in innovation, research, and development on national as well as cross-border collaboration projects on international level, are planned within the existing budget framework (implementation of the Ministry of Defence grant programme, Defence Innovation Accelerator for the North Atlantic (NATO DIANA), NATO Innovation Fund (NIF), and support for Latvian businesses that are involved in the European Defence Fund (EDF) consortia). Simultaneously, support is provided for creating innovative products that could be used in the NAF armament through research and development contracts and grant projects.

Planned investments in innovation, technology development, and research for the period from 2025 to 2028 amount to 32 million EUR.

The key areas where the use of innovative technology is anticipated largely align with the development directions defined by the EU and NATO. The most significant technology development areas for enhancing NAF capabilities and capacity include:

- **Robotics and Autonomous Systems**, such as unmanned aerial vehicles, unmanned land vehicles, surface and underwater drones, that could be used for surveillance, reconnaissance, target identification, communication signal relay, providing kinetic effects, and performing functions of logistics.
- **Artificial Intelligence (AI) and Machine Learning** solutions. To ensure the technological superiority of the NAF and strengthen their capabilities in operating within the information environment, AI technologies must be introduced. These technologies will aid in processing large volumes of data, facilitating predictive analysis, and supporting autonomous decision-making. AI will play a crucial role in monitoring and optimizing the operation of intelligent systems. There is a need for research and adaptation of solutions that improve the training process, logistics procedures (transportation, warehouse and supply management) and enhance **cyber defence and cybersecurity**.
- **Space-based communication and ISR** solutions. Considering the rapid development of space-based military capabilities, the NAF will need to develop surveillance, early warning, and reconnaissance capabilities, thereby fostering precise and secure navigation development, as well as supporting command and control capability enhancement.
- **Quantum technology development** which would ensure information integrity and security, focusing on utilizing computational power for encryption and communication technologies, with plans to introduce quantum encryption. As next-generation communication technologies emerge, there will be a need to advance 5G technologies, satellite communications, and improve encryption methods to ensure secure battlefield communication.

In addition, it is necessary to promote innovations in areas related to the use of **innovative materials**, such as materials with various properties – lighter, more durable, active and thermal camouflage. **Biotechnology** - technologies that could provide equipment operators with greater strength, speed, endurance, and enhanced situational awareness. At the same time, biotechnology is also focused on the use of various modified organisms for environmental clean-up, optimizing food properties and durability. **Energy and propulsion**: - the use of renewable energy, particularly in the context of military base development, fostering energy independence and reducing reliance on traditional fuel sources. There should be a concerted effort towards the electrification or hybridization of combat platforms, while also seeking solutions for energy use in the development of kinetic weapons.

National support mechanisms:

- **Grant programme:** Since 2018, the Ministry of Defence has implemented annual grant programmes to support the development of military or dual-use products. In 2024, two competitions were announced with a total MoD funding of 1.2 million EUR. The next grant competition for military or dual-use product development is planned in 2025, with details to be published on the MoD's website.
- **State research programme "Defence Innovation Research Programme":** Managed by the MoD and administered by the Latvian Council of Science, this programme aims to promote technology transfer and the development of innovative solutions and products in line with the national defence sector and NATO's defence technology priorities that are set in its policy planning documents. Projects under the 2021-2024 phase are concluding, and the next programme competition is expected in 2025.
- **Research and Development (R&D) Contracts:** The MoD enters into R&D contracts, which involve collaboration between the Ministry, the NAF, and private companies with the aim to conduct analysis, experiments, and technical testing to develop new technological solutions that meet NAF's specific needs. In the near term, priority R&D projects will focus on unmanned systems, artificial intelligence, and electronic warfare.
- **Product Testing Support:** The NAF's Defence Technology and Innovation Centre provides support for organizing defence industry product testing and evaluation activities, as well as offering consultation services.



International support mechanisms:

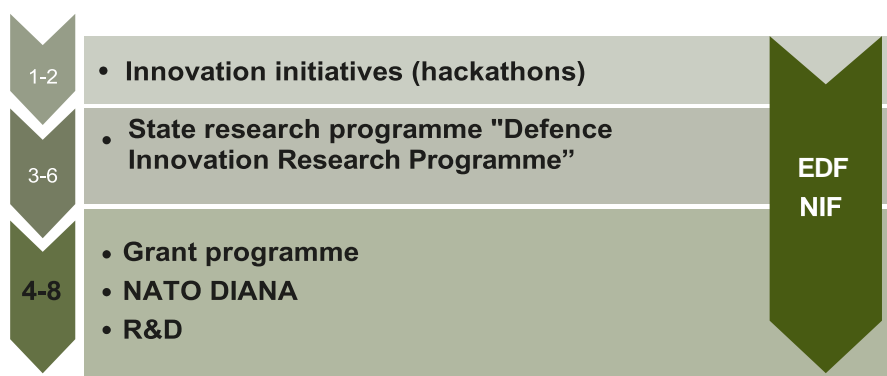
- **European Defence Fund (EDF)** supports the participation of companies from European Union (EU) member states in competitive cross-border research and development projects aimed at providing innovative and interoperable defence technologies and equipment in accordance with the defence capability priorities set by EU member states. It offers support and guidance to participants throughout the whole research and development cycle. In addition to the EU co-financing for development projects, national co-financing is also required. Latvia's participation in the EDF (EDIDP)⁵ since 2019 has enabled Latvian companies and research institutions to engage in 20 new projects. Each year a call is announced to submit project proposals within a specified timeframe (usually from May to November). Information about the Ministry of Defence's priorities and potential support, as well as the procedure for submitting new project proposals, is available on both the Ministry of Defence and European Commission (DG DEFIS) websites. For inquiries, please contact: edf@mod.gov.lv.

- **The NATO Defence Innovation Accelerator for the North Atlantic (NATO DIANA)** programme is designed to promote the development of new and transformative technologies within NATO, addressing critical defence and security issues primarily intended for the commercial market, but with potential dual-use applications.

NATO DIANA operates in the format of a grant competition, inviting companies to submit project proposals or solutions in areas of NATO's new and transformative technologies, such as artificial intelligence, big data processing, quantum technologies, autonomy, biotechnology, new materials, and space.

Latvia has submitted an application for both an accelerator and a test centre under NATO DIANA. SIA "UniLab" has been included in the DIANA accelerator network, but until it becomes operational, the closest NATO DIANA accelerator for Latvian innovators is "Technopol" in Tallinn, Estonia. The 5G testing environment located at the Adazi Military Base is part of the NATO DIANA test centre network. Companies can register and submit projects on the NATO DIANA website: <https://www.diana.nato.int>.

TRL (Technology readiness level)



International innovation and research formats:

- **NATO Science and Technology Organization (STO)** – established to maintain NATO's scientific and technological superiority by creating and utilizing advanced scientific foundations, technology development, and innovations to support the alliance's core missions, while also sharing this knowledge.

⁵ European Defence Industry Development Programme

- Several Latvian researchers and companies are already involved in the working groups initiated by the NATO STO committees. The process of delegating a candidate for participation in the organization is managed by the Ministry of Defence. More information about NATO STO can be found here: <https://www.sto.nato.int>.
- **European Defence Agency (EDA) Capability Technology Groups (CapTechs)** – specialized EDA Capability Technology Groups involve experts from member states, as well as representatives from industries and research organizations, who voluntarily participate in joint defence research and capability development projects of interest. Since its establishment in 2004, EDA has led more than 250 different Research & Technology (R&T) projects. Participation of non-governmental experts in the CapTechs is approved by the Ministry of Defence.

The Ministry maintains and will continue the dialogue with the financial sector to support the defence industry. Positive trends are emerging at the level of international organizations, which are changing financing policies for manufacturers of dual-use products. New funding opportunities are also offered by the NATO Innovation Fund.

- **NATO Innovation Fund** – the world's first multinational venture capital fund focused on investing in dual-use technology start-ups, with a total budget of 1 billion EUR. These funds will be invested in start-ups and other venture capital funds that focus on developing advanced dual-use technologies prioritized by NATO. The fund's investments are managed by a team of investment managers based in the NIF headquarters in Amsterdam, the Netherlands. Regional offices are located in London and Warsaw. Companies are encouraged to submit their proposals via email: investments@nif.fund.

The Ministry encourages businesses to seek consultations if they require further information about accessing this financial support tool by writing to industrija@mod.gov.lv. The Ministry has established the Department of Defence Industry and Innovation Policy, which is primarily responsible for communication and providing support to industry representatives.



4. FURTHER STEPS

To define the future directions, priorities, goals, and tasks for the development of the defence industrial and technological base, the Ministry of Defence will draw up the Defence Industry Development Strategy in 2024. This strategy will outline the main operational directions of the state-owned limited liability enterprise "State Defence Corporation" and propose solutions to enhance the national defence innovation and technology development system by utilizing existing instruments and introducing new ones in collaboration with the Ministry of Economics.

Based on the Defence Industry Development Strategy, the Ministry of Defence will also develop a Defence Innovation Strategy, which will more specifically define the directions and priority areas for defence innovation and technology development.

At the same time, the Ministry of Defence will continue cooperation in forums where the defence sector, as the end-user, and defence industry representatives, as service and product manufacturers and suppliers, can regularly meet to discuss current needs and opportunities. Therefore, the Ministry of Defence will regularly organize and improve informational events both nationally and internationally—such as Industry Days, sectoral working groups, online events focused on specific innovation activities, and more.

For updates on the defence industry, please follow the Ministry of Defence website at www.mod.gov.lv under the section "For entrepreneurs".

Contact us via email at: pasts@mod.gov.lv or industrija@mod.gov.lv (for defence industry-related inquiries).

Information on defence sector procurements can be found on the following websites:

- Defence sector market research is regularly published on the Ministry's website: <https://www.mod.gov.lv/en/tirgus-izpetes>

The Ministry of Defence encourages you to follow updates on this site. Participating in market research provides insight into industry offers and is often the first step before launching a procurement, as it allows for a detailed understanding of the contracting authority's planned acquisition.

- Defence sector procurements are published on the Electronic Procurement System at www.eis.gov.lv and the Procurement Monitoring Bureau's website at www.iub.gov.lv. **To find relevant procurements, search for the contracting authority: Ministry of Defence/National Armed Forces/State Centre for Defence Logistics and Procurement/State Defence and Military Procurement Centre.**

THE LIST OF MAJOR PLANNED DEFENCE SECTOR PROCUREMENTS IN THE DOMAINS OF COMBAT SUPPORT AND STOCKPILES AND SUPPLIES FOR THE YEARS 2025–2028⁶

Armament, special equipment and combat systems/ EUR	
Grenade launchers, machine guns	24 471 000
Individual weapons	5 214 000
Acoustic reconnaissance system	1 936 000
Acquisition and repair of thermal weapon sights	7 092 000
Maintenance of CVR(T) vehicles	21 950 000
Day/night vision periscopes	8 878 000
Laser rangefinder	7 489 000
Laser target designator	1 085 000
Target detection radar systems	17 743 000
Acquisition and repair of night vision goggles and monoculars	5 494 000
Close-range air defence systems	166 196 000
Ammunition and explosives	
120mm ammunition	13 224 000
Grenades	7 890 000
Cartridges	28 911 000
Mines	11 178 000
Unmanned aerial vehicle (UAV) systems	3 388 000
CVR(T) cannon ammunition	19 840 000
Small-class remote control devices	1 636 000
Pyrotechnics, explosive materials	5 000 000
155mm ammunition	99 991 000
Vehicles and special machinery	
Military vans	38 700 000
Military fuel carriers	13 114 000
Military container handlers	27 962 000
Military cargo boxes	23 435 000
Forward Repair System	1 500 000
Tractors	4 400 000
Road-laying systems	1 290 000
Excavator (tracked)	1 600 000
Evacuation vehicle	1 000 000
Vehicle spare parts	10 634 000
Engineer tank	3 000 000
Crane and heavy vehicle services	1 200 000
M109 repairs (Level 3 and 4)	2 549 000
Military cargo transport (light)	30 890 000
Repair of administrative (light passenger) vehicles	1 538 000

⁶ The appendix includes information from the Centralized Procurement Plan. This information is updated quarterly in accordance with the needs and priorities of the NAF..

Fuel, oils, lubricants, technical fluids and materials/ EUR	
Fuel	28 720 000
Oils, lubricants, technical fluids	1 365 000
Sea vessels and aircraft	
Amphibious motorboats	5 000 000
Ship spare parts	2 000 000
Radar, receiver, and communication equipment	1 440 000
Individual equipment	
Clothing	21 698 000
Individual equipment (headsets, gas masks, flashlights)	9 415 000
Boots	5 970 000
Combat helmets and bulletproof vests	29 030 000
Backpacks	5 600 000
Collective equipment	
Office and living containers	4 494 000
Tents for squad-size units	1 932 000
Information technology and communications	
Antennas, communication equipment, radars, tablets, services	65 277 000
Food products and catering services	
Food products	58 730 000
Dry rations	12 711 000
Standard 20-foot container with refrigeration equipment (freezer)	1 347 000

RESEARCH BUDGET FOR 2024-2025

Programme Year	*2024/EUR	*2025/EUR
Ministry of Defence's grant programme	600 000	600 000
Grants for drones	600 000	to be approved
State research programme in the defence field	134 103	500 000
Defence innovation initiative (hackathon)	50 000	50 000
Ministry of Defence's contribution to the NATO Innovation Fund (NIF)	2 960 000	2 960 000
Ministry of Defence's contribution to NATO DIANA	90 000	90 000
Ministry of Defence's co-financing for EDF projects	275 000	602 358
R&D	800 000	2 031 890
Total	5 509 103 EUR	6 834 248 EUR
*planned		