



AMERICAN CHAMBER OF COMMERCE IN LITHUANIA RESILIENCE & DEFENCE COMMITTEE WHITE PAPER ON STRENGTHENING LITHUANIA'S DEFENSE AND INNOVATION ECOSYSTEM

AmCham Lithuania: Resilience & Defense Committee

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EXECUTIVE SUMMARY

The purpose of this document is to present strategic recommendations aimed at enhancing Lithuania's national resilience, technological sovereignty, economic competitiveness, and defence capabilities.

There is no strong defense without a strong defense industry – as stated by NATO Secretary General Mark Rutte¹. This is the central conviction behind this white paper. The aim is not simply to make the case for industrial policy – it is to make the case that Lithuania's security and Lithuania's economic future are inseparable, and that both depend on deliberate, sustained state commitment to building a credible domestic defense industrial base.

The current geopolitical environment and rapidly growing defense budgets across Europe create a unique and time-sensitive opportunity for Lithuania. Rising investment in defense need not serve security objectives alone – if managed strategically, it can generate sustained long-term value for the national economy, accelerate high-technology development, and position Lithuania as a credible defense industry partner within NATO and the European Union.

The American Chamber of Commerce in Lithuania (AmCham), through its Resilience & Defense Committee, brings together Lithuanian and international companies active in defense, cybersecurity, information technology, engineering, and advanced technologies. This white paper reflects the Committee's assessment of the principal obstacles currently preventing Lithuania from fully realizing this opportunity, and sets out concrete recommendations for how government and industry can work together to address them.

The core problem is one of execution. Lithuania has adopted defense industry strategy documents, identified priority sectors, and assigned institutional responsibilities. The gap lies in translating these commitments into an operational reality that companies and investors can plan around. Specifically:

- **Strategy** – closing the gap between stated priorities and measurable economic outcomes, with defined targets and annual accountability;
- **Procurement** – publishing a long-term procurement pipeline, enabling domestic suppliers to plan, invest, and certify;
- **Industry enablement** – building a genuine first-buyer function, integrating Lithuanian companies into supply chains, and developing domestic manufacturing capacity as a strategic objective;
- **Financing** – mapping and fixing the barriers to uptake, sharing risk with the private sector, and making EU instruments actually accessible;
- **Regulatory environment** – making existing tools work, consolidating fragmented entry points into a single functional gateway, and benchmarking against the region's best performers.

Critically, the institutional mechanisms intended to bridge this gap – the one-stop shop, the Miltech Sandbox, and the various coordination bodies – are not yet functioning as designed. The result is that innovative SMEs

¹ [NATO Secretary General Highlights Industry Partnership in Toulouse Visit.](#)



self-select out of engagement with the state defense system entirely – not for lack of capability, but because the system is opaque and the outcome uncertain.

The concerns set out in this paper are now independently confirmed by the National Audit Office of Lithuania (VK), whose three recent audits of the national defense system (June–July 2026) document systemic deficiencies that mirror and reinforce the findings of this White Paper. Among the most significant:

- **Procurement predictability is collapsing** – the share of non-completed weapons and military equipment procurements rose 2.5 times (from 24% to 59%) between 2023 and 2025, even as the non-completion rate for public procurement generally fell;
- **Long-term funding continuity is not legally secured** – no planning document guarantees that defense spending will remain at no less than 5% of GDP through 2035, undermining the credibility of the state's demand signal to industry;
- **Procurement planning is unstable and opaque** – annual procurement plans across the defense sector were revised on average 14 times per year, with one agency's plan growing 36-fold by value in a single year, making it impossible for suppliers to plan participation in advance.

This paper identifies priority areas requiring urgent attention. The paper concludes with a proposal for a structured public-private dialogue.

I. INTRODUCTION

The AmCham is one of the largest associations representing international capital in Lithuania. AmCham functions as a platform connecting Lithuanian institutions with a global ecosystem of investors and defense industry actors, and actively works to attract investment into Lithuania's defense sector.

AmCham's Resilience & Defense Committee unites Lithuanian and international companies active in defense, cybersecurity, IT, engineering, and advanced technologies. Its mission is to strengthen Lithuania's defense ecosystem, foster innovation, and build a closer, more productive partnership between the public and private sectors.

The geopolitical context is clear. Russia's war of aggression against Ukraine has fundamentally altered the security calculus across the Baltic region and beyond.

This moment is an opportunity – but one that will only be realized through deliberate action. Lithuania's ability to translate increased defense spending into durable economic strength depends on strategic clarity – knowing what the state wants to build and why – institutional effectiveness – ensuring that the right agencies are working together efficiently – and genuine public-private partnership – bringing industry in as a strategic partner, not merely a contractor.

II. KEY CHALLENGES AND RECOMMENDATIONS

2.1. The Absence of an Operationally Meaningful National Strategy

The Problem

Lithuania has taken meaningful first steps in building a defense industry strategic framework. The Guidelines for the Development of the Defense and Security Industry 2023–2027² set out development directions, priority

² In Lithuanian: Lietuvos Respublikos gynybos ir saugumo pramonės plėtros 2023–2027 metais gairės, nuoroda: <https://www.e-tar.lt/portal/lt/legalact/43f39430ffba11ed9978886e85107ab2>.



areas, and institutional responsibilities – covering semiconductors and laser technologies, cybersecurity, AI, weapons and ammunition, anti-drone systems, and other advanced technology segments. The Ministry of Defense (MOD) Strategic Activity Plan 2026–2028³ goes further, committing to reduce administrative burden, form specialized clusters, create financial instruments including venture capital funds, and establish the Miltech Sandbox as a platform for manufacturers and startups to present and test defense products.

This is a solid foundation. The problem is the gap between strategic intent and operational reality. Neither document translates its stated directions into measurable economic outcomes – there are no GDP contribution targets, employment benchmarks, export value goals, or economic return metrics tied to defense spending levels.

The consequence is that companies cannot plan with confidence, institutions lack the framework needed for coherent long-term decisions, and strategic ambition and actual spending direction remain misaligned.

This gap is now independently confirmed by the National Audit Office (VK). Its June 2026 report on defense financial management (**Defense Financial Management Report**)⁴ found that:

- (i) no long-term planning document legally guarantees that defense funding will remain at no less than 5% of GDP through 2035, notwithstanding the 2025 NATO members' agreement to that effect – meaning continuity of funding for the sector is not legally secured, undermining companies' ability to plan long-term investment.
- (ii) 13 of 22 tasks (59%) and 21 of 41 indicators (51%) are duplicated across multiple strategic programs, with no single consolidated modernization indicator – a structural symptom of the same absence of measurable, accountable targets this White Paper identifies. It also found that despite defense funding rising from 3.07% to 4.04% of GDP in 2025, the target values of 8 modernization indicators were not updated to reflect the new scale of funding, meaning the state's own benchmarks no longer reflect the resources actually being committed.
- (iii) the 2021 National Security Strategy no longer reflects current priorities and is not aligned with lower-level planning documents; its review was initiated only after four years – a further illustration of the gap between strategic documents and operational reality that this White Paper identifies.

A separate VK audit of arms and military equipment procurement (July 2026) (**Arms Procurement Audit**)⁵ found that: 13 of 16 capabilities linked to weapons and military equipment acquisition are still being developed under capability development plans from 2017–2021, without having been updated to reflect NATO's more ambitious 2023 Political Guidance or the Lithuanian Armed Forces' goal of establishing the First Division by 2030. The audit attributes this to the changing security environment, the complexity of the planning process, and a shortage of personnel.

This confirms that even the strategic basis for defining acquisition needs is outdated – reinforcing the case that Lithuania's strategy and its operational reality have diverged.

The Defense Financial Management Report further found that 70% of capability development plans have not been updated for 4 to 14 years, and that 11 of 14 defense-sector institutions utilized less than 90% of their appropriations in the first three quarters of 2025. Over the 2023–2025 period, overall budget execution declined by 13.4 percentage points – from 79.8% to 66.4% – with individual institutions ranging from 39.1% to 86.0%, and no systematic corrective measures have been adopted to reverse this trend. This deteriorating execution rate – driven by prolonged procurement procedures, supplier delays, and unfilled posts – means that even

³ In Lithuanian: Lietuvos Respublikos krašto apsaugos ministro valdymo sričių 2026–2028 metų strateginio veiklos planas, nuoroda: [2026-2028-m.-svp-2026-02-26-nr.-v-172.pdf](#).

⁴ National Audit Office of Lithuania, „Financial Management of the National Defence System“ (16 June 2026, Report No. VAE-4), link available: [Produktas | Lietuvos Respublikos valstybės kontrolė](#).

⁵ National Audit Office of Lithuania, „Procurement of Armaments and Military Equipment“ (31 July 2026, Report No. 4-2(RN), link available: [Produktas | Lietuvos Respublikos valstybės kontrolė](#).



where funding is available, it is not being converted into capability at the pace the security environment demands.

Recommendations

Building on existing strategy documents, Lithuania should close the gap between intent and operation by:

- **Defining measurable economic outcomes linked to defense investment** – including targets for domestic value creation, local industry participation rates in procurement and export revenue – with a defined baseline and mandatory annual review cycle. Without such metrics it is impossible to assess whether rising defense budgets are generating lasting economic value for Lithuania or flowing primarily to foreign suppliers.

For example:

- Latvia's Defence Industry and Innovation Strategy 2025–2036⁶ – Concrete, measurable targets: local procurement to reach 20% by 2028, defence industry to reach 3% of GDP; strategy is linked to the budget cycle and armed forces planning – an operational tool, not a standalone document.
- the UK's Defence Industrial Strategy (2025) offers three lessons directly applicable to Lithuania⁷: a unified UK Defence Innovation organization was established, ending fragmented funding with poor commercialization pull-through; a published 10-year Defence Investment Plan and 5-year acquisition pipeline forecast give industry the certainty needed to invest in capability; and a concrete £2.5 billion SME spending increase target by 2028.

- **Translating priority sectors into investment commitments** – identifying specific capability areas where the state will act as an anchor customer, make co-investment available, or prioritize domestic suppliers in procurement.

For example, Estonia's ECDI⁸ has explicitly stated that “a strong supplier base also means a strong local defence industry” and operationalizes this through a publicly available, category-by-category investment plan updated annually. The budget is allocated for each category, like armaments, the C4I, Cyber and Radars category, etc., – each broken down by product type and year, so that industry can plan investment, certification, and capacity accordingly.

2.2. Public Procurement as an Economic Instrument

The Problem

Lithuania's defense procurement system is not currently configured to maximize value for the national economy. A significant share of procurement spending flows through foreign government-to-government arrangements and offset contracts, with limited economic return to Lithuanian companies or the broader economy. This is not inherently problematic – allied procurement cooperation serves important strategic purposes – but it reflects an absence of deliberate policy to ensure that procurement spending, where possible, supports the development of local industrial capacity.

Lithuanian companies also lack access to reliable information about long-term procurement needs and realistic opportunities for supply chain participation. Companies cannot plan investments in capability, certification, or capacity if they do not know what the state will need and when.

The result is that potential domestic suppliers remain on the sidelines – not for lack of capability, but for lack of visibility and access.

⁶ [Government approves Defence Industry and Innovation Strategy for 2025 – 2036 | Aizsardzības ministrija](#)

⁷ [Defence Industrial Strategy 2025: Making Defence an Engine for Growth - GOV.UK](#)

⁸ Estonian Centre for Defence Investments, Defence Investments 2025–2029: [RKIK_2025_eng_veeb.pdf](#).



Recent National Audit Office (VK) findings put concrete figures behind this concern. The Arms Procurement Audit found that:

- (i) the share of non-completed weapons and military equipment procurements rose 2.5 times – from 24% (18 of 74) in 2023 to 59% (60 of 101) in 2025 – driven mainly by changing Armed Forces needs, Defense Resources Council decisions that a need had lapsed, late or non-compliant supplier bids, and excessive pricing. This occurred while the non-completion rate for public procurement generally fell steadily from 24.3% to 16.3% over the same period – meaning the weapons and military equipment segment is becoming markedly less predictable for suppliers even as the wider system improves.
- (ii) in 42% of reviewed procurements (13 of 31), coordinating procurement decisions with Ministry of National Defence units, advisory bodies, and other institutions not directly involved in the procurement took between 30 and 374 days (median 36 days) – against a recommended maximum total duration for an international procurement of 180–240 working days. No deadlines are set for these advisory bodies to issue their decisions, and their procedural role is not defined in the procurement rules.

A related VK audit of non-armament ("soft") procurement (**Non-Armament Procurement Audit**)⁹ across the defense sector – covering IT, engineering services, construction, software and similar categories where most AmCham members operate – found that (i) the annual procurement plans of 10 of 12 reviewed defense-sector contracting authorities grew by more than 15% during the year on average, with plans revised roughly 14 times per year across all 12 organizations; the Defense Resources Agency's 2023 plan grew 36-fold by value; (ii) such frequent, material changes make procurement less predictable and complicate market participants' ability to plan participation in public procurement in advance – directly supporting this paper's recommendation to publish a long-term, annually updated procurement plan.

Recommendations

- **Publish a long-term defense procurement plan** – covering a minimum five-year horizon, updated annually, and publicly available to the extent permitted by security classification – identifying planned acquisitions by capability category, approximate volumes, and indicative timelines. Where full product-level disclosure is not possible for security reasons, category-level demand signals should still be published. For example, Estonia's ECDI publishes a rolling multi-year Defence Investment Plan with category-by-category volumes and timelines. Companies cannot plan investments in capacity, certification, or workforce without this visibility¹⁰.

- **Conduct a comprehensive review of the defense and security procurement regulatory framework** with the specific aim of identifying barriers to domestic participation and where targeted reforms could unlock greater local value creation. For example, the European Commission's Defence Procurement Directive (2009/81/EC)¹¹ provides the baseline EU framework, but explicitly permits member states to apply security and industrial policy considerations in procurement design – Lithuania's review should assess the full extent to which this flexibility is currently being used and where it is not;

The Arms' Procurement Audit review of a sample of arms and military equipment procurements gives this recommendation added weight. Of 10 procurements conducted under exemptions from the Law on Public Procurement in the Field of Defense and Security (together worth EUR 3,396.5 million, or 48% of all weapons and military equipment contract value in 2023–2025), 7 did not evaluate available alternatives, urgency, or price

⁹ National Audit Office of Lithuania, "Funds Allocated to the National Defence System for the Acquisition of Goods, Services and Works, 2021–2025" (16 June 2026, Report No. VAE-3), available at: [Produktas | Lietuvos Respublikos valstybės kontrolė](#).

¹⁰ Estonian Centre for Defence Investments, Defence Investments 2025–2029, available at: [RKIK 2025_eng_veeb.pdf](#)

¹¹ [EUR-Lex - 02009L0081-20260101 - EN - EUR-Lex](#)



justification: in 2 cases negotiations were conducted only with specific suppliers, and 5 were continuations of government-to-government purchases from the United States based on amendments to contracts originally signed 14–30 years earlier. Overall, 48% of the value of weapons and military equipment contracts signed in 2023–2025 was awarded under statutory exemptions, and 46% of procurements completed under the ordinary law (77% of their value) were conducted by uncompetitive negotiated procedure – meaning a large share of the market is simply not reachable through transparent, competitive procedures. This directly evidences the systemic absence of alternative- and value-for-money testing that this paper's recommended regulatory review should address.

The same audit documents a concrete instance of this dynamic working against domestic suppliers: the government authorized purchases of anti-drone systems, optical observation devices, and laser target designators from specific named manufacturers without specifying a technical specification, thereby constraining the ability of potential Lithuanian manufacturers to be considered and concentrating production in the hands of a small number of suppliers.

- **Explore innovative procurement models** – including pilot and prototype programs, pre-commercial procurement, and challenge-based acquisition – that enable local companies to develop and demonstrate new capabilities.

For example, the UK's Defence and Security Accelerator (DASA)¹² runs open innovation challenges through which companies – including SMEs with no prior defense procurement experience – can receive funded contracts to develop and demonstrate solutions against defined capability needs. DASA is notable for the transparency of its process: open calls are published publicly with plain-language descriptions of the capability need, available funding, evaluation criteria, and timeline; award decisions are published publicly.'

- **Set a binding target of no less than ten percent (10%) of total annual defense procurement expenditure to be allocated to innovative procurement** – including pre-commercial procurement, pilot and prototype programmes, and challenge-based acquisition. This target should be published, monitored annually, and reported against publicly, ensuring accountability and providing a credible demand signal to innovative companies, including SMEs, that the state is committed to purchasing novel solutions and not merely studying them.
- **Develop a model under which, where a credible domestic alternative exists, it is systematically evaluated on a priority basis** – not to the exclusion of allied or international suppliers, but as a genuine and weighted consideration;
- Commit to early industry engagement – inviting industry to contribute at the stage of requirements formation, not merely at the point of tender publication.

This goes beyond the preliminary market consultations already permitted under standard procurement law. Standard consultations occur after the requirement has already been defined internally; their purpose is to refine specifications, not to shape what is being procured. Genuine early engagement happens before the requirement is written, when industry input can alter what is bought, not just how it is specified – producing better requirements, a wider supplier base, and significantly reduced risk of procuring the wrong capability at public expense; and

2.3. Enabling Local Industry – From Supply Chains to Domestic Manufacturing

The Problem

¹² www.gov.uk/government/organisations/defence-and-security-accelerator



Lithuanian companies face a fragmented institutional landscape, with responsibility for defense industry development spread across multiple agencies – MOD, the Defense Resources Agency (DRA), the Innovation Agency, ILTE, and Invest Lithuania – with no single point of entry and no coherent coordination between them.

More fundamentally, Lithuanian companies are not yet meaningfully integrated into the defense sector as either supply chain participants or, critically, domestic manufacturers. A country that only participates in other nations' supply chains remains dependent. Domestic manufacturing capacity must therefore be treated as a strategic objective in its own right.

Central to this is the role of the state as a first buyer. Without a domestic anchor customer willing to purchase products at an early stage – accepting a degree of commercial and technical risk in exchange for the strategic benefit of building national industrial capability – domestic companies will struggle to attract private financing, international partnerships, or the scale needed to compete.

Without visibility into the procurement pipeline, companies cannot justify investment in certifications, facilities, or workforce.

Recommendations

- **Provide continuously updated, single-source information on how Lithuanian SMEs can capitalize on growing opportunities in the European defence and security sectors**, including NATO Procurement and Contracting, EU Defence Funding Programmes, Export Controls and Regulatory Compliance, How SMEs can enter defence value chains, Market Entry Strategies.

For example: information issued by the Swedish trade and investment council on How Swedish SMEs can capture growing opportunities in European defence and security¹³.

- **Establish a practical and transparent government-industry cooperation mechanism** – a structured platform through which companies can present, demonstrate, and test their defense products and solutions directly to procuring authorities at different commercial stages, including pre-commercial stages. Clear procedures should govern both the presentation and testing process and the subsequent pathway to public procurement, ensuring that promising products identified through the mechanism can be purchased without procedural ambiguity;

For example, the UK's Defence and Security Accelerator¹⁴ runs structured open calls through which companies demonstrate solutions to Ministry of Defence end-users at pre-commercial stages with a defined procurement pathway.

The existing model in Lithuania, including the point of contact – pramone@kam.lt is not sufficient (please see further information in Section 2.6 of this White paper).

- **Create a fast-track procurement mechanism for innovative defense technologies** – with simplified contracts, reduced approval layers, and open access for SMEs.

For example, the UK MoD's Commercial X program¹⁵ shows this is achievable: 580 contracts delivered at an average of 31 days to signature – 47% faster than standard timelines – with the UK Defence Committee confirming in 2025 it has had “significant success in simplifying commercial processes for smaller businesses”;

¹³ [egj---defence-and-security.pdf](#)

¹⁴ [Defence and Security Accelerator - GOV.UK](#)

¹⁵ [Defense Innovation Unit](#)



- **Develop a defense product pathway guide** – taking companies from initial concept through to sale, with explicit emphasis on sale to the Lithuanian state as the anchor first buyer – covering procurement participation, supply chain integration, financing options, and innovation support;

Currently Lithuania's defense industry support landscape is institutionally fragmented and practically unhelpful. Multiple agencies maintain separate websites and communication channels – each offering partial, inconsistent, or insufficient information – with no single authoritative point of entry for a company seeking to understand what support exists and how to access it (please see further information in Section 2.6 of this White paper).

- **Identify and address the specific barriers faced by SMEs** – whether financial, relating to competence gaps, security clearance requirements, or partnership access; and

This is compounded by institutional capacity constraints on the state side. The Arms Procurement Audit found that at the end of 2025 the Defense Resources Agency (DRA) had 35 unfilled posts, 20 of them in units that carry out acquisitions, with the main cause being unsuccessful recruitment rounds. Under-resourcing on the state side limits the agency's capacity to operate new engagement mechanisms for SMEs even where such mechanisms exist on paper.

- **Adopt a dedicated SME action plan for Lithuanian defense industry engagement** – with concrete measures, defined timelines, and named accountability mechanisms – rather than broad policy commitments without assessment criteria.

For example, the UK MoD's SME Action Plan¹⁶ demonstrates what structured intervention looks like in practice: simplified terms and conditions for lower-value contracts; mandatory advertising of subcontracting opportunities by prime contractors. Each commitment carries a defined target date and is scrutinized by a working group co-chaired by SMEs themselves.

- **Strengthen state support for Lithuanian companies seeking integration into NATO, US, and EU defense markets** – recognizing that building Lithuania's international defense presence begins with building its domestic manufacturing base.

- **Establish a national defense industry holding without delay.** Lithuania's regional competitors are moving rapidly to consolidate their defense industrial bases under unified state holding structures – Poland's Polska Grupa Zbrojeniowa (PGZ) already integrates over sixty defense companies under a single strategic umbrella, enabling coordinated investment, economies of scale, and a coherent international market presence that individual Lithuanian companies cannot match. Without an equivalent consolidating vehicle, Lithuania's defense industrial base will remain structurally fragmented and increasingly uncompetitive relative to its neighbours. A Lithuanian defense holding should serve as the institutional anchor for domestic defense manufacturing – aggregating state-owned and state-affiliated defense assets, coordinating investment and production capacity, and acting as a credible counterparty for international partnerships, joint ventures, and NATO cooperative programmes. The establishment timeline must be measured in months, not years: every quarter of delay widens the competitive gap with countries that have already built or are actively building such structures.

2.4. Lithuania as a Hub for Ukraine–EU Defense Industrial Integration

The Opportunity

¹⁶ [Opportunity and Innovation: The Defence Small and Medium-sized Enterprise \(SME\) Action Plan - GOV.UK](#)



Ukraine's defense industry has become one of the most operationally tested and technologically dynamic in the world. Ukrainian companies are already establishing operations across Europe, and competition to attract them is real – Warsaw, Tallinn, and Berlin are all positioning themselves as preferred destinations.

The EU's Joint White Paper for European Defence Readiness 2030¹⁷ explicitly identifies integration of Ukraine into the European Defence Technological and Industrial Base as a strategic priority, recognizing that frontline-validated Ukrainian technology directly strengthens European capability development.

Lithuania is uniquely positioned to lead this integration given its geographic proximity, long-standing bilateral ties, and emerging domestic defense industrial base. Ukrainian companies gain access to NATO and EU certification pathways and EU financing; Lithuania gains frontline-tested technology and industrial partnerships. This is a structural commercial opportunity with a closing window – Ukrainian manufacturers considering relocation are choosing primarily Poland, the Czech Republic, Slovakia, and Estonia – Lithuania is not yet the first choice¹⁸.

Recommendations:

- **Make Vilnius the permanent home of NATO-Ukraine defense innovation**

The NATO-Ukraine Defence Innovators Forum, held in Vilnius in June 2026, and the scaling of the UNITE-Brave NATO programme to €50 million demonstrate that Vilnius is already a credible venue for NATO-Ukraine defense innovation events¹⁹. Lithuania should build on this precedent by negotiating to make Vilnius the permanent seat of UNITE-Brave NATO and hosting the Forum annually. Alongside this, Lithuania should create a structured validation cycle connecting Ukrainian innovators directly with Lithuanian Armed Forces, with a fast-track pathway from successful test to MOD procurement contract.

- **Publish a competitive offer and outcompete Warsaw and Tallinn for Ukrainian defence companies**

Lithuania should publish a offer setting out exactly what a company receives: a defined legal setup timeline, access to loan programmes, a pre-mapped EU certification pathway, and a named MoD procurement contact. It should simultaneously position itself as the pathway into the European defense ecosystem.

For example:

Sweden and Ukraine deepen innovation cooperation²⁰ – Instead of treating aid as a one-way street, the partnership functions as a **win-win exchange**: Sweden supplies top-tier industrial scaling, engineering, and funding, while Ukraine injects real-time, battlefield-tested technology and digital speed into Sweden's defense and enterprise sectors, including establishing the Swedish-Ukrainian Defence Innovation Hub.

2.5. Financing Instruments

The Problem

Access to financing is a structural barrier for defense SMEs. A 2024 European Commission study found that approximately 40% of defense SMEs considered access to finance difficult or very difficult – with two-thirds refraining from seeking equity financing and close to half refraining from seeking debt financing, a stark contrast to the 6.6% average among all EU SMEs²¹. A growing number of instruments are nominally available to

¹⁷ [White paper for European defence - Readiness 2030 - Defence Industry and Space](#)

¹⁸ [Where Ukrainian defense companies are moving to: Top 5 countries of relocation - Komersant Ukrainian](#)

¹⁹ [NATO and Ukraine Launch New Phase of UNITE Brave NATO Innovation Program – UNITED24 Media](#)

²⁰ [Sweden and Ukraine deepen innovation cooperation - Government.se](#)

²¹ [Study results: Access to equity financing for European defence SMEs - Defence Industry and Space](#)



Lithuanian defense companies. Uptake remains low. This is not a shortage of capital – it is a failure of design, communication, and coordination.

Companies do not know what exists. Application processes are too complex for SMEs to navigate alone. Instrument timelines are mismatched to defense development cycles. And critically, the government has not communicated its long-term procurement plans clearly enough for companies to make informed financing decisions. Without a credible state demand signal, even well-designed instruments will not move capital.

Recommendations

- **Lithuania should conduct a systematic audit of why uptake across existing instruments is low** – where companies drop out, which criteria are misaligned with defense development cycles, and where coordination between ILTE, MOD, and DRA breaks down. The audit must specifically examine whether companies have visibility into what the state plans to procure and when, because without that forward demand signal, no financing instrument will move private capital.
- **Financing information is currently fragmented across ILTE, GRA, Miltech, and others with no single authoritative reference.** Lithuania should publish and maintain one platform consolidating all available instruments, eligibility criteria, and application processes – mapped to company development stage from pre-seed through production scale-up.
- Simplification alone is not enough. Defense innovations routinely stall after initial prototyping because traditional venture capital is structurally ill-suited to defense – long procurement cycles and security restrictions make it unattractive to private investors. **Lithuania must introduce explicit risk-sharing mechanisms** – loan guarantees, co-investment structures, or first-loss provisions – that make it rational for private capital to follow public support into the sector.
- EU instruments ²²²³are now operational but remain practically inaccessible for most Lithuanian companies. The European Defence Industry Programme (EDIP), which entered into force on 30 December 2025 with a €1.5 billion budget for 2025–2027, and EUDIS, provide funding for scaling production capacity, joint procurement, and SME equity support – yet Lithuania's absorption rate of available EU defense and security funding remains disproportionately low relative to both the scale of available resources and the country's stated strategic ambitions, representing a significant missed opportunity to leverage European capital for domestic defense industrial development. The Commission adopted the EDIP work programme in March 2026 and has launched its first calls – **Lithuania should assign dedicated EU financing navigators, for example within ILTE or the DRA, whose function is helping companies successfully apply for and draw down European instruments**, and should set measurable absorption targets with annual reporting to ensure that available EU funding is systematically identified, pursued, and utilized.

2.6. Regulatory Environment and Institutional Coordination

The Problem

Lithuania's regulatory framework for defense-related activities was not designed for the pace of investment the current security environment demands. Licensing is lengthy and unpredictable. Institutional responsibility is fragmented. There are no dedicated tracks for defense innovation. Testing infrastructure is effectively inaccessible. And regional competition is not standing still: Estonia has built a measurably more attractive destination for defense investment in the Baltic region, and Lithuania is losing ground.

Currently existing tools to facilitate business engagement in defense are not operational in practice. The Miltech Sandbox²⁴ – established as a flagship mechanism – is not operational in practice, leaving companies with no functioning channel to access testing infrastructure or engage with military end-users. Companies seeking to

²² [EDIP Forging Europe's Defence](#)

²³ [About EUDIS](#)

²⁴ [Miltech](#)



test defense products are directed to two separate contact points – the one-stop shop (pramone@kam.lt) and the DRA (gra@kam.lt)²⁵ – with no explanation of which to use or how the two relate. The information in the Sandbox also competes with the MOD's website (kam.lt), creating further confusion about where authoritative information on defense industry engagement is actually held²⁶.

The National Audit Office's findings reinforce this picture from the state's own operational side. The Defense Financial Management Report found that defense planning data (including prioritized needs lists for 2023–2026) are compiled and maintained in „Excel“ files without electronic document protection or locking, because no information system exists for managing defense planning data – a concrete illustration of the digitization gap this paper highlights, occurring inside the very system meant to be procuring IT solutions for others. Its companion Non-Armament Procurement Audit confirms that procurement process data across the defense sector is held in disconnected information systems and programs (PVIS, eRVIS, „Excel“, „Word“ and others) that are not integrated with one another, making it difficult to analyze procurement or manage the process effectively – directly supporting this paper's call for a single, transparent, digital procurement system on Estonia's ECDI model.

On institutional fragmentation, the Non-Armament Procurement Audit found that as of early 2026 not one defense-sector contracting authority had formally held central purchasing body (CPO) status as defined under the Law on Public Procurement, and the Public Procurement Office found that the Defense Resources Agency's practice of delegating a staff member onto another organization's procurement commission does not meet the legal definition of centralized procurement. This meant that centralized procurement was not organized in a way that clearly assigned institutional responsibility for carrying out the procurement. This is a close analogue to this paper's Section 2.6 criticism that companies are directed to two separate contact points (the one-stop shop and the DRA) with no explanation of which to use or how they relate – indicating that unclear accountability is a systemic feature of Lithuania's defense procurement infrastructure generally, not an isolated issue confined to innovation testing.

The Defense Financial Management Report identifies a parallel fragmentation in budget management: program coordinators are formally responsible for achieving defense program results, yet do not control more than 50% of the appropriations allocated to those programs, because centralized procurement is carried out by agencies (the DRA and the Innovation Agency) that are not subordinate to them. This structural mismatch between accountability and budget authority is a close analogue to the institutional fragmentation this paper identifies across the defense industry engagement landscape – responsibility is dispersed, coordination is weak, and no single entity has both the mandate and the resources to deliver.

In addition, a one-stop shop directing enquiries to a single email address does not constitute a transparent or sufficient mechanism. There is no publicly available information on what happens after an enquiry is submitted – no documented process, no defined response timeline, no published criteria by which enquiries are assessed, and no clear next steps. For companies without prior defense procurement relationships, this opacity is a material barrier: the rational decision for an SME is not to engage at all.

For an SME without prior defense relationships, the rational decision is not to engage at all. That is not a minor inconvenience – it is a structural failure that is actively diverting investment to competitors.

The Arms Procurement Audit likewise found that no dedicated, simplified mechanism has been established for weapons and military equipment acquisition in the event of mobilization, war, or a state of emergency – a further, concrete illustration of the system's inflexibility precisely when speed and adaptability would matter most.

²⁵ [Testavimas - Gynybos resursų agentūra prie Krašto apsaugos ministerijos](#)

²⁶ [LR Krašto apsaugos ministerija](#)



The EU has already acted at European level: the Commission adopted the Defence Readiness Omnibus on 17 June 2025 – a comprehensive package of legislative and non-legislative proposals covering defence procurement simplification, fast-track permitting for defence infrastructure projects, streamlined intra-EU transfer of defence products, and improved access to finance, aiming to facilitate up to EUR 800 billion in defence investments over four years²⁷. The proposals are now before the European Parliament and the Council under the ordinary legislative procedure. Lithuania must not treat this as a reason to wait – on the contrary, it must prepare now to transpose and implement these simplifications rapidly once adopted, and go further where national-level barriers exceed the scope of the Omnibus. The Strategic Activity Plan commits to regulatory review and legislative amendment where defense-industry-promoting measures are identified. That commitment exists on paper. The question is whether it is being implemented at a pace commensurate with the opportunity Lithuania is at risk of missing. The answer, currently, is no.

Recommendations

- **Fix what exists before considering building what is new.** Lithuania needs structures that work. The one-stop shop must publish a step-by-step engagement process with named responsible officers, defined response timelines, and a documented pathway from product demonstration to procurement consideration.
- **Benchmark against the best and close the gap.** Lithuania has approved new procedures designed to lower administrative hurdles for foreign defense companies looking to open production facilities in the Baltic state. That is a start, but Lithuania should conduct an externally validated regulatory comparison against Estonia, Poland, and other NATO allies that have built effective defense ecosystems and that are prioritized over Lithuania in defense investments. Identify the specific procedural gaps, and set a deadline for closing them.
- **Undertake a fundamental, ground-up revision of the Law on the Control of Arms and Ammunition.** The current legislation is conceptually obsolete – it was designed for a fundamentally different threat environment and industrial reality, and incremental amendments cannot remedy its structural inadequacy. The law's underlying assumptions, definitions, licensing architecture, and procedural framework do not reflect the pace, scale, or nature of defense industrial activity that Lithuania's security environment now demands. Rather than continuing to patch an outdated statute, Lithuania should develop a conceptually new legal framework for arms control – one that balances legitimate security and non-proliferation obligations with the imperative of enabling rapid domestic defense industrial growth, streamlined licensing for trusted actors, and regulatory compatibility with the approaches of NATO allies and EU partners. The revision should be conducted in close consultation with industry and benchmarked against the arms control and export licensing regimes of leading allied states to ensure that Lithuania's framework is not itself a competitive disadvantage.
- **The state must communicate what it has already done – clearly, publicly, and in one place.** From engagement with the authorities the finding is not that nothing is happening – it is that companies cannot see what is happening. Measures are being taken, instruments exist. But this information travels through personal contacts and individual meetings, invisible to any company without an existing relationship with MOD. The fix is simple: a single, publicly maintained record of available financing instruments, regulatory changes, planned procurement opportunities, and state defense industrial priorities. For example, Estonia²⁸ has built its competitive advantage on exactly this – an easily accessible, transparent procurement system where the state actively publishes what companies need to know to participate.

III. CALL TO ACTION

AmCham's Resilience & Defense Committee proposes the establishment of a permanent, structured public-private dialogue between AmCham and the Government of the Republic of Lithuania, in the form of regular – for example, quarterly – Policy Labs. These Policy Labs would bring together representatives of MOD, the DRA, the Innovation Agency, ILTE, Invest Lithuania, and the business community to examine concrete barriers

²⁷ [Defence Readiness Omnibus - Defence Industry and Space](#)

²⁸ [Defence investments 2025-2029 - Riigi Kaitseinvesteeringute Keskus](#)



and develop practical solutions. Their objectives would be to: (i) identify the principal regulatory and cooperation barriers to defense industry development; (ii) develop specific, actionable proposals for addressing them; (iii) sustain a productive, ongoing dialogue between the Government, the defense industry, and the innovation ecosystem; and (iv) facilitate the exchange of information and best practice to support innovation in the defense sector.

The window of opportunity is real – but narrow. The decisions made in the next two to three years will determine whether Lithuania emerges from this period of increased defense investment with a stronger, more competitive economy, or whether that investment flows largely abroad.

AmCham invites the Government of the Republic of Lithuania to discuss the findings and recommendations of this paper within the proposed Policy Lab working group – and to move from discussion to implementation. We are ready to begin.