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JUNE 2026

A sovereign defence fund as a lever for industrial strategy

The case of SFPIM Defence in Belgium

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Disclaimer

This policy paper builds upon analytical work conducted for SFPIM in the context of the strategic positioning of a federal defence investment fund. The analysis and recommendations were developed in full intellectual autonomy by the authors and reflect exclusively the views and conclusions of Itinera Institute. They do not bind SFPIM, the Belgian government, or any other institution in any way.

Executive Summary

Europe is undergoing a structural reorientation of its security architecture. The Russian invasion of Ukraine shattered the post-Cold War peace dividend and exposed decades of underinvestment in defence capabilities. Simultaneously, hybrid threats, technological rivalries, and the strategic assertiveness of authoritarian regimes demand a fundamentally broader understanding of security.

Both NATO and the EU have responded with new strategic doctrines, ambitious spending targets, and novel financing instruments. This is not a cyclical upturn, it is a structural shift that will persist for years, possibly decades.

For Belgium, this creates both an obligation and an opportunity. As a coalition player embedded in NATO and the EU, with its geographic location as a key gateway to Western Europe, hosting key institutional headquarters and participating in bilateral defence partnerships with the

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Netherlands, France, and Germany, Belgium occupies a unique strategic position. Belgium also boasts some significant industrial capacities and strengths, including in the defence industry. Yet it lacks the scale of major defence powers. Beyond a small group of established defence industrials, its strength lies in a high-technology SME ecosystem with niche expertise in domains such as C4ISR, drones, cybersecurity, space applications, and advanced materials. These firms are innovative and agile but face structural barriers to growth: a post-R&D financing gap, limited international visibility, and fragmented access to European defence value chains.

The establishment of SFPIM Defence, a dedicated federal defence investment fund under the Federal Holding and Investment Company, represents a strategic instrument to bridge the *'valley of death'* between innovation and industrialisation. This case is all the more interesting given Belgium's complex institutional landscape, where industrial policy is a regional competency while defence remains a federal matter.

For Belgium, the combined structural shift towards (i) higher defence spending and (ii) more strategic autonomy presents a unique opportunity to leverage investment in defence capabilities for industrial innovation and development, as we have argued before in the paper 'Much more than Armament". From this perspective, the new fund should pursue a double return: strategic (contributing to NATO/EU capability gaps, technological autonomy, and resilience) and economic (anchoring firms, creating jobs, and generating export capacity). Its investments should focus on dual-use technologies with a primary defence orientation, structured across three risk compartments: late-stage scale-up, mid-stage contract

potential, and selective early-stage deep tech. An independent, tripartite investment committee (defence, financial, regional) must safeguard both strategic integrity and inter-federal coherence. Scale and focus should partly result from a careful coordination of public investment strategies between the new federal fund and existing regional instruments. Success will depend on proactive deal-flow development, alignment with European programmes (EDF, DIANA, EIC), transparency towards market players, and the quality of the first flagship investments. Defence investment funds should not serve as a substitute for state defence spending obligations, nor as a protectionist instrument. Rather, it can become a catalyst for Belgium's industrial renaissance in security and defence: strengthening European strategic autonomy in coalition, reducing critical dependencies, and building a resilient economy where security and prosperity reinforce one another.

While the setup of SFPIM Defence is a significant step, success will require a combination of short-term market positioning with flagship projects signalling industrial ambition at scale, with a more longer-term gradual build-up of investment through the funnel of R&D to startup, scale-up and transnational champion potential. In this regard, SFPIM Defence must find its sweet-spot integrating three levels of market positioning.

First, within Belgium, specifically in coordinating with regional public investment vehicles in Flanders, Wallonia and Brussels, and with the broader agenda for 'dual use' industrial policy that is constitutionally the purview of Belgium's semi-autonomous regions. Second, within Europe and NATO, achieving credibility and USP for Belgium in transnational industrial capacity that ties SFPIM Defence investment strategy to defence procurement and strategic foreign trade and investment development. Third, within the overall financial ecosystem, including R&D in technology, specific defence R&D, institutional investors, VC, family offices, and international players. In all of this, speed and critical mass are important as SFPIM Defence is stepping into a crowded market that is in full swing.

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The International Context

The federal Belgian Defence Fund is being established in an era characterised by structural instability, geopolitical rivalry, and the reassertion of military power as an instrument of foreign policy. The Russian invasion of Ukraine marked a fundamental rupture with the post-Cold War order and underscored that large-scale conflict is once again a reality on the European continent. Simultaneously, other authoritarian regimes, notably China and Iran, have adopted an increasingly assertive posture, both militarily and economically. These power shifts are compounded by the ongoing transformation of the trans-Atlantic US-European relationship, technological disruption, climate-related instability, and the proliferation of hybrid methods such as cyberattacks, sabotage of critical infrastructure, and disinformation campaigns.

The complex and layered nature of today's threats means that the current wave of rearmament and the strengthening of national defence capabilities is, in all likelihood, not a temporary phenomenon tied solely to the war in Ukraine. Rather, it represents a structural trend that will persist for years, possibly decades. While it is conceivable that any single threat facing Europe might recede, the probability that all threats will dissipate in the near term is exceedingly small.

In response to these threats, both NATO and the European Union have updated their strategic doctrines. NATO has refocused on its core mission of collective defence. The 2022 Strategic Concept identifies Russia as the most significant and direct threat to Allied security, while acknowledging a broader spectrum of challenges. Initiatives such as the NATO Force Model, which aims to bring 300,000 troops to high readiness, illustrate the heightened state of preparedness. At the June 2025 NATO Summit in The Hague, allies agreed not only to raise the defence spending guideline to 3.5% of GDP, but also to establish a new norm of 1.5% of GDP specifically earmarked for investments in resilience.

The European Union, for its part, is pursuing strategic autonomy through the Readiness 2030 programme. Relatively new financing instruments such as the European Defence Fund (EDF), EDIRPA, ASAP, and SAFE are designed to support joint capability development, technological innovation, and industrial strengthening. The EU is increasingly cognisant that a new geopolitical world order is taking shape; one that demands a fundamentally more robust European defence posture.

The international community has recognised that defence requires a redefinition in breadth. Beyond conventional military threats, state security is increasingly undermined through hybrid methods: cyberattacks, disinformation campaigns, sabotage of critical infrastructure, and the instrumentalisation of migration. Both the EU and NATO now recognise societal resilience as a crucial first line of defence.

This broadening is intimately linked to what has been termed the **'weaponisation of everything'**: the strategic deployment of technology, energy, raw materials, and supply chains as geopolitical instruments. European dependence on third countries for critical technologies (semiconductors, AI, optics) and raw materials is increasingly regarded as a vulnerability. Both the EU and NATO advocate not only for strengthening deterrence and resilience, but also for

reinforcing the indigenous industrial and technological base. This wider frame creates a natural operating space for a Belgian defence investment fund.

These developments point to a broader structural shift in the relationship between state and market. The era in which defence procurement could be treated as a subset of open-market competition is giving way to a model in which strategic planning, industrial policy, and national security doctrines increasingly shape investment flows. Across Europe, governments are reasserting control over critical supply chains, directing capital toward strategic sectors, and accepting a degree of planned economic intervention that would have been politically untenable a decade ago. The defence industry has always operated within this logic of strategic dependencies, national security doctrines, and industrial policy choices. What is new is that this logic is now expanding to adjacent sectors, from semiconductors to energy to critical raw materials, creating an environment in which a public defence investment fund operates not as an exception to market principles, but as a natural expression of a broader geopolitical reality.

The fiscal trajectory is clear. During the post-Cold War peace dividend from 1992 to 2022, European defence spending relative to GDP was substantially reduced, creating a cumulative gap to average Cold War spending levels estimated at approximately $8,600 billion. Over the past three decades, European NATO countries spent roughly $1,600 billion less than NATO's 2% target. The turnaround has been swift: the number of European NATO countries meeting the 2% GDP target increased from 5 in 2021 to 21 in 2024. Looking ahead, European defence spending could rise by an additional €475 to €1,025 billion beyond initial plans. Moreover, these headline figures understate the real challenge. Defence-specific inflation consistently outpaces general inflation, driven by the increasing technological complexity of military systems, supply chain bottlenecks, and surging demand for scarce components and skilled labour. The result is that even substantially higher budgets buy less capability than nominal figures suggest - reinforcing the case for investing not only in procurement, but in the industrial capacity and innovation that determine how efficiently defence spending translates into actual capability.

The surge in spending is accompanied by a parallel boom in defence technology investment. European defence start-up deal volume more than quadrupled between 2017–2020 and 2021–2024, primarily driven by larger deal sizes, with over 95% of deals exceeding $10 million. Across and beyond Europe, both public and private funds are deploying capital at scale to drive defence innovation. Governments commit public investment budgets in defence equivalent to 0.05–0.1% of nominal GDP. Belgium cannot afford to be absent from this movement.

Moreover, the hybridisation of the strategic threat landscape, together with the drive for more European strategic autonomy in the face of declining globalisation, Russian threat, US unreliability and Chinese strategic competition, create an intimate 'dual use' nexus between defence and security capabilities on the one hand, and technological and industrial innovation and development on the other. In essence investment funds like SFPIM Defence can be a bridge between defence and industrial policies, serving both strategic interests at the same time.

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Belgium's Positioning and the Investment Landscape

A coalition player at a strategic crossroads

Belgium sits at the intersection of multiple security and industrial ecosystems. It is a member of both NATO and the EU, hosts key headquarters (NATO, SHAPE, EU institutions), and maintains structural bilateral defence partnerships with the Netherlands (naval cooperation), France (land forces), and Germany (industrial modernisation). These multilateral and bilateral connections constitute strategic assets of considerable value. Moreover, Belgium geographic position and its extensive strategic industrial, logistical and critical port assets, are significant strategic strengths. In terms of positioning for SFPIM Defence, the broader strategic market landscape is not only within the EU as such, but also bilaterally and mini-laterally within and beyond the EU – the strategic rebuild in Germany, the potential of Ukraine, and the role of the Benelux as a regional hub all come to mind by way of example.

Belgian firms rarely play a leading role in large weapon systems, but they are strong subcontractors with niche expertise in domains such as aerospace, cyber, optics, and drones. The country's niche Tier-1 leaders, firms like John Cockerill Defense, FN Browning Group, Orizio Group, SABCA, and Sonaca, integrate into the value chains of major European primes such as Airbus, Rheinmetall, Leonardo, and Thales. A defence investment fund can therefore position itself as a catalyst for Belgian participation in European consortia, rather than as a financier of fully national solutions.

A structural risk in Belgian defence-industrial thinking deserves explicit mention. There is a persistent tendency to conflate national success with international relevance. In reality, genuine value creation in defence requires international scale, European integration, NATO compatibility, and interoperability across allied systems. A Belgian firm that succeeds domestically but fails to embed itself in European value chains has limited strategic weight. Conversely, a firm that secures a niche position in a multinational programme acquires a strategic significance that far exceeds its size. The risk for Belgium is threefold: thinking too nationally, operating too fragmentedly across its institutional landscape, and positioning too weakly at the European level. SFPIM Defence must be designed as an antidote to all three.

The Belgian SME ecosystem: strengths and scaling challenges

Belgium does not possess clusters of classic defence giants of the type found in France or Germany. What it does have is a fine-meshed network of high-technology SMEs with international ambitions. These firms operate in niche markets and specialise in drones, cyber, sensor technology, communication platforms, and embedded systems. Many have emerged from collaboration with universities and research centres such as imec, VITO, and the Von Karman Institute, and contribute to both civilian and military applications. Enabling high-tech civilian and commercial players to evolve towards strategic dual use market opportunities, is a strategic no-brainer.

Their strength lies in agility, technological innovation, and research-driven product development. Yet they face structural growth constraints that limit their strategic role:

- Ecosystem fragmentation. Belgium has relatively few large 'primes' that create scale. SMEs are often highly specialised but small and vulnerable, requiring consolidation or structured collaboration.
- Historic underinvestment. Decades of limited investment in defence-related industry have left many firms without the infrastructure and capital buffers necessary to take on larger contracts.
- Skills shortages. Even where budgets are available, qualified personnel to implement and manage defence programmes are often lacking.
- Limited international visibility. Belgium is not always seen as a key player in European programmes (EDF, PESCO, EDIRPA), partly due to the absence of a clear flagship capability.
- The post-R&D financing gap. Innovations receive research funding but face insufficient resources for industrialisation, certification, and serial production. This ***'valley of death'*** is the central market failure that a defence investment fund can address.

The defence sector presents unique challenges for Belgian SMEs. Defence procurement is organised around *systems of systems*, purchased from large integrators rather than as individual components. Smaller players must therefore position themselves early in international value chains, a difficult proposition without established networks. Products must meet strict military standards and interoperability requirements, demanding lengthy certification processes. Multinational defence projects require coordination of requirements, budgets, and timelines across countries, with the greatest delays arising not from technology but from governance and pre-contractual alignment.

Moreover, there is no fully functioning common market for defence in Europe: large *systems of systems* remain nationally directed. Belgian firms consequently often feature only as subcontractors, without direct access to prime contracts. The domestic dual-use market is also relatively small, making it harder to build sufficient traction through civilian applications to subsequently enter the defence market.

The national policy framework

The creation of SFPIM Defence is embedded in a coherent national policy framework. The *Strategic Vision for Defence 2030 and the STAR* plan commit Belgian Defence to structurally modernising its capabilities and scaling up NATO contributions. The coalition agreement explicitly provides for the establishment of a Defence Fund and emphasises the importance of inter-federal cooperation—essential because economic development and innovation are largely regionalised competencies.

The *Defence, Industry, Research and Strategy (DIRS)* framework, operational since 2022, guides investments in defence-related projects through three pillars: policy development, opportunity identification, and project selection. DIRS defines fifteen technological domains, from vertical clusters (mine countermeasures, advanced soldier systems, space applications) to horizontal themes (cyber, smart materials, disruptive technologies). The forthcoming *Office for Defence Innovation and Industry (ODIN)* can serve as a complementary institutional pillar, particularly to build a medium-term funnel from defence R&D to SFPIM Defence investment at scale.
Belgium has also advanced its commitment to NATO's 2% of GDP defence spending target from 2029 to 2025, accelerating defence investments.
At the European level, Belgium increasingly positions itself as a coalition player rather than a solo actor with autonomous capability ambitions. This translates into a preference for investments that connect to European consortia, international programmes, and joint development projects with NATO or EU member states.

The Strategic Case for a Public Investment FundEuropese context

The rationale: market failure at the innovation-industrialisation nexus

The core economic rationale for SFPIM Defence lies in a persistent market failure: the financing gap between research and industrial scale-up in the defence and dual-use technology sectors. Belgium's innovation capacity is well-established, its universities and research institutions (imec, VITO, Von Karman Institute) produce world-class outputs. However, translating that innovation into industrialised products with defence relevance is where the system falters. Many existing investment funds focus either on the R&D phase or on the start-up phase. Later stage industrialisation remains underserved. Given the new international context mentioned above, this "market failure" is essentially a failure to connect market development to state-driven industrial policy in the context of strategic rearmament, security, autonomy, and resilience policies.

A public investment fund dedicated to defence addresses this gap by providing **patient capital** and strategic validation at the stage where private

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capital alone is insufficient. The defence sector's particular characteristics - long procurement cycles, classified requirements, regulatory complexity, and monopsonic buyer structures - amplify the market failure by deterring conventional venture capital. A public anchor investor can de-risk private co-investment and signal strategic endorsement to European programme managers.

The ***valley of death*** in defence is structurally deeper than in civilian markets. Beyond the generic challenge of bridging the gap between prototype and commercial product, defence adds compounding layers of difficulty: procurement cycles that stretch over years, stringent operational validation and certification requirements, the need to integrate new technologies into existing military doctrine, and political decision-making processes that can stall or redirect programmes at any stage. For Belgium specifically, the bottleneck lies less in early-stage startup funding, where regional instruments and European programmes provide reasonable coverage, and more in the subsequent phases: industrial scale-up, integration into international value chains, positioning for multinational contracts, and the continuity of cash flow during the long intervals between defence procurement milestones. It is precisely this later-stage gap that SFPIM Defence is designed to address.

Understanding why conventional private capital underserves defence requires a comparison with the investment logics that dominate venture capital. In software and SaaS markets, investors expect recurring revenue, rapid scaling, and relatively predictable growth curves. In biotech, the model is binary: high speculation on a regulatory approval event that either unlocks massive value or destroys the investment. Defence fits neither pattern. Sales cycles of eighteen to thirty-six months are common; products must pass operational validation under military conditions; integration into doctrine and existing systems of systems is a prerequisite for adoption; and political approval can gate or delay procurement at any stage. The resulting cash flow profile is irregular, characterised by long development phases without revenue, followed by peaks tied to contract awards, and sustained by lifecycle support arrangements. Defence is not a market in the classical sense. It is a system: plan-driven, strategically steered, state-dependent, and doctrine-governed. Conventional venture capital metrics, built around monthly recurring revenue or binary clinical trial outcomes, simply do not apply. This structural mismatch between the defence investment cycle and the expectations of mainstream private capital is the fundamental reason why a dedicated public investment vehicle is necessary.

International benchmarks: what peers are doing

Across Europe, nations are leveraging public investment entities to accelerate defence innovation, attract private capital, and build strategic industrial advantage. The trend is not merely clear, it is accelerating, deepening, and increasingly organised around cross-border clusters that define the future architecture of European defence. Countries that invest strategically today are not only strengthening their own industrial base; they are positioning themselves as indispensable nodes in the emerging European defence ecosystem. **Those that hesitate risk irrelevance**.

Germany: public investment as a magnet for private and international capital

Germany has taken strategic equity stakes in key defence firms. The federal government's acquisition of a strategic blocking minority in Hensoldt through KfW is particularly instructive: it reversed the risks of purely financial ownership, refocused the company on its industrial strategy, and attracted Leonardo as a strategic European co-investor with an equivalent stake. This public anchor unlocked a chain reaction of private capital and international industrial partnerships.

The effect is systemic. Germany's massive fiscal commitment - a constitutional reform exempting defence spending above a threshold from the debt brake, a dedicated Bundeswehr Sondervermögen being fully deployed by +/- mid-decade, and a vast separate infrastructure fund that also feeds into defence-industrial capacity - has pushed total defence spending to record levels, with projections pointing to further steep increases. This fiscal architecture is acting as a gravitational pull for international defence groups and private investors alike. Rheinmetall's order backlog has reached unprecedented heights, growing by roughly a quarter in a single year. Hensoldt is making massive multi-year investments to meet government orders that have multiplied tenfold. The transfer of automotive capacity to defence, exemplified by Rheinmetall's recruitment agreement with Continental for ex-automotive workers, and by the conversion of former automotive plants to defence production, signals a structural economic pivot that is attracting talent, technology, and capital from across Europe and beyond

Critically, this public investment posture is not defensive, it is offensive. Germany is deliberately using the defence build-up as an economic stimulus programme, counteracting deindustrialisation while drawing in international players who want to be part of the production ecosystem.

France: a mature ecosystem

France has built what is arguably the most comprehensive defence investment ecosystem in Europe. Through Bpifrance and the Caisse des Dépôts, France has deployed a multi-layered architecture: a dedicated Defence Innovation Fund (with backing from major insurers, prime contractors, and the Caisse des Dépôts), the Definvest equity fund for strategic SMEs, the DGA's Astrid and Rapid programmes, and a Defence Accelerator programme. In early 2025, the Ministry of Defence and Bercy jointly mobilised the full spectrum of French investors with an explicit ambition to unlock massive financing for the thousands of enterprises in the French defence ecosystem.

The results are striking. France is now the second-largest venture capital market in Europe (behind only the UK), and unlike many of its neighbours, it has ensured that venture funding flows deliberately toward dual-use and defence technology. The creation of the Agence Innovation Défense (AID) as a one-stop shop for startups, combined with simplified immigration procedures and reformed procurement structures, has built a flywheel of innovation, talent attraction, and industrial scaling.

For Belgium, France's strength presents both an opportunity and a profound political challenge. Belgium's defence-industrial relationships with France, notably through programmes involving Naval Group, Thales, and MBDA, are deep but structurally asymmetric. Without a credible Belgian public investment instrument, Belgium cannot engage with France as a mature partner in co-development, co-production, and co-investment. **It will remain a client, not a co-architect**.

The United Kingdom and the Netherlands: targeted dual-use strategies

The United Kingdom operates the National Security Strategic Investment Fund (NSSIF), a joint initiative with the British Business Bank that combines fund-of-funds structures with direct stakes in dual-use companies. Working alongside government customers to identify technologies and develop their potential through dedicated work programmes, the NSSIF has become a model for coupling investment with demand signalling. The UK is also emerging as a host for Ukrainian defence production, with firms like UkrSpecSystems establishing manufacturing operations on British soil.

The Netherlands channels investments through Invest-NL, which partly targets dual-use companies in cybersecurity, communications, and protection technologies. Complemented by a dedicated Sec-Fund focused on early-stage defence startups, the Dutch model demonstrates that even medium-sized economies can build effective defence innovation architectures — provided there is institutional will and public capital commitment. Italy leverages CDP Venture Capital, which has committed substantial resources to AI and cybersecurity on top of long-standing state participations in defence companies through Cassa Depositi e Prestiti.

Minilateral defence clusters

Perhaps the most consequential development is the emergence of minilateral defence-investment clusters - small groups of aligned states that are building integrated defence ecosystems around specific capabilities, bypassing the institutional constraints of broader EU or NATO frameworks.

Northern Europe is the most advanced example. NORDEFCO (Denmark, Finland, Iceland, Norway, and Sweden) has evolved from a coordination platform into a genuine operational and industrial framework, driven by the shared urgency of proximity to Russia. The Joint Expeditionary Force (JEF), led by the UK and encompassing The Netherlands + all Nordic and Baltic states, adds an operational layer. Within this ecosystem, capability-specific clusters have emerged: the CV90 armoured vehicle programme, the CAVS initiative, and integrated Nordic air force cooperation.

The Nordic-Baltic cluster is increasingly extending to Poland and Germany, creating a Northern Euro-

pean defence-industrial arc that combines procurement scale, operational integration, and innovation capacity. With all Nordic countries now inside NATO, the remaining institutional barriers to full defence integration have been removed. In Southern Europe, Franco-Italian cooperation on naval systems (through Naviris, the joint venture between Naval Group and Fincantieri) and missile programmes (MBDA) provides another model of minilateral industrial integration.

For Belgium, the lesson is clear: these clusters are forming now. Countries that do not bring strategic investment capacity to the table cannot participate as equals. Belgium's geographic position between the Northern and Western European clusters, its dual-community structure, and its hosting of NATO and EU headquarters should make it a natural connector, but only if it has the institutional and financial tools to play that role.

Ukraine: from battlefield to production floor

Ukraine's battlefield-driven innovation has created a unique body of know-how that European partners are racing to convert into industrial partnerships. The scale is remarkable: Ukraine has moved from near-total dependence on Western arms at the start of the full-scale invasion to producing a rapidly growing share of its own defence needs, including millions of drones annually.

The joint venture between Rheinmetall and Ukraine's state-owned defence conglomerate UDI, operational since late 2023, has grown from maintenance and repair to assembly, production, and development of armoured vehicles, with a new ammunition factory and air defence joint venture in progress. KNDS is launching its own joint venture with a Ukrainian partner for Gepard air defence production. SAAB, Kongsberg, and Raytheon are all expanding their on-the-ground presence.
Most tellingly, the model is now flowing in both directions. Denmark signed a landmark agreement in 2025 allowing Ukrainian defence companies to open production facilities on Danish soil, the first arrangement of its kind. Ukraine's first joint drone production line launched in Denmark, and President Zelensky has announced plans to open multiple joint enterprises across Europe in the near future. Quantum Frontline Industries in Germany (a joint venture between Quantum Systems and Ukraine's Frontline Robotics) produced its first drone within weeks of the partnership being announced. The UK has become a host for Ukrainian drone and reconnaissance system production.

At the EU level, the EU-Ukraine Task Force on Defence Industrial Cooperation, a dedicated Ukraine Support Instrument within EDIP, and Ukraine's full association to the SAFE programme are creating a structured framework for integration. The European Council has explicitly called for the establishment of Ukrainian defence production in EU member states.

A further institutional development warrants close attention. The proposed Defence, Security and Resilience Bank, conceived as a defence-oriented multilateral lending institution modelled on existing development banks, aims to issue AAA-rated bonds backed by pooled sovereign credit to provide affordable, long-term financing for defence, security, and resilience investments. Designed for faster and more streamlined operations than traditional multilateral institutions, the DSRB is advancing through

> *"Belgium cannot afford to be absent from this movement. The window for positioning is closing."*

charter negotiations in the first half of 2026, with a first bond issuance anticipated by late 2026 and full operations in 2027. Canada has publicly confirmed a leading role, with all six of its major banks joining as institutional partners; major European financial institutions including ING, Commerzbank, JP Morgan, and Deutsche Bank have also signed on. A December 2025 meeting in London convened representatives from 37 nations. For Belgium, the question of participation is strategically significant. A dedicated multilateral defence lending institution would represent a powerful complement to national instruments like SFPIM Defence, offering access to favourable financing terms and signalling commitment to the emerging defence-financial architecture. The risk of non-participation is equally clear: as anchor nations are being finalised and the institutional architecture takes shape, countries that do not engage early risk being excluded from the governance structures that will determine how defence capital flows in the decades ahead.

For Belgium, this Ukrainian dimension adds further urgency. Countries that engage early with Ukraine's defence-innovation ecosystem - through co-production, technology transfer, and investment partnerships - gain privileged access to battlefield-proven capabilities in drones, electronic warfare, and autonomous systems.

With all these examples in mind, it is difficult to argue that any self-respecting country can afford not to consider how to position itself in this rapidly evolving landscape. Belgium cannot afford to be absent from this movement. The window for positioning is closing.

Three strategic pillars

Public Defence funds could and - according to the conversations Itinera had for this paper - should rest on three mutually reinforcing strategic pillars that guide its investment strategy and positioning.

Pillar 1: Strengthening strategic autonomy at the European and Transatlantic level

The idea of an autonomous Belgian defence is unrealistic. Strategic autonomy as a concept is only meaningful at the European level. Belgium has neither the capital, the manpower, the investment climate, the expertise, nor the pre-existing industrial fabric to achieve strategic autonomy at the national level. Therefore, European and Transatlantic autonomy is the appropriate long-term objective.

This does not mean Belgium cannot pursue autonomy in specific niches. Strategic autonomy can be decomposed into autonomy at four levels: *knowledge* (the ability to develop, manage, and protect critical technological and operational knowledge), *design and engineering* (the capacity to design and integrate systems and solutions), *production* (sufficient industrial capacity within trusted coalitions), and *lifecycle support* (the ability to independently maintain, upgrade, and replace systems throughout their lifecycle). Autonomy at any one of these levels constitutes strategic autonomy. Belgium can be strategically positioned to claim a dimension of strategic autonomy within a given sector.

For Belgium, this means reinforcing niches where the country can make a strategic difference within larger coalitions: space technology, underwater and aerial drones, cybersecurity, and sensor technology. A well-functioning defence financing entity must open not only the door to capital, but also the door to international supply chains.

Pillar 2: Technological capacity and dual-use innovation

The technological dimension preferably forms the heart of such a fund's strategic positioning. The European defence market is shifting from classic weapon systems towards technology-driven solutions with high innovation and dual-use potential. In this so-called 'Layer 2 market, encompassing artificial intelligence, quantum computing, sensors, robotics, edge computing, secure communications, and energy storage, the future-oriented capabilities are emerging that are deployable both in civilian and military contexts. Does that mean classic defence is becoming irrelevant? No. The war in Ukraine clearly shows that classic defence is still very important. A public defence fund should aim for the right balance between cherishing classic defence and going full force into innovation.

Investment in dual-use is often considered optimal because it provides access to a larger market (both civilian and military), spreads risk through reduced dependency on a single customer type, enables faster innovation transfer from civilian to military applications, and typically enjoys greater political and societal support. At the same time, important caveats apply: the definition of dual-use can be vague, creating scope for *'defence washing'* of essentially civilian projects; export control regimes add legal complexity; and civilian and military markets differ substantially in procurement cycles, margins, and requirements.

The fund should preferably invest in products, services, and knowledge that primarily serve a military market and have dual-use spillover potential into other markets. By maintaining the initial focus on the military application, SFPIM Defence reduces the risk of 'defence washing'.

Pillar 3: Industrial development and economic resilience

A third pillar is that SFPIM Defence's investments should contribute to Belgium's broader industrial renaissance and technological sovereignty. The fund can support the industrialisation and scaling of promising players, enabling them to grow into robust partners in European programmes. Anchoring strategic firms in Belgian hands, or in European structures, is a key consideration, as is attracting international investment without losing control over critical capabilities.

4. Strategic Market Positioning of a Federal Defence Fund

Market definition

A precise market definition is essential to guide investment decisions and prevent scope creep. The market for SFPIM Defence encompasses investments in technologies, infrastructure, and industrial capacities that directly or through dual-use contribute to Belgian and European security, strategic autonomy, and resilience. It covers both defence-specific systems and dual-use innovations in priority domains, provided they create substantial economic and technological added value in Belgium and fit within European and NATO value chains.
The market boundary is reached where projects lack strategic security relevance, are exclusively civilian without military application potential, or pertain solely to classic government expenditure (operations, personnel costs, replacement of existing materiel). R&D activities fall outside scope unless they have a very specific industrialisation perspective. A particular grey area concerns defence-related infrastructure (hardened logistics hubs, ammunition storage, dual-use port or airfield facilities). While such projects may carry genuine strategic relevance, the infrastructure investment space is already well served by existing vehicles, including those with institutional investors- and the risk of mission drift toward a broader resilience agenda at the expense of the fund's core defence-industrial focus should be flagged as a standing governance concern.

Priority investment domains

Based on Belgium's existing capabilities, European and NATO capability gaps, and the industrial potential of the Belgian ecosystem, ten priority investment themes can be identified where SFPIM Defence *could* take a proactive role. We understand that a detailed bottom-up market analysis has been conducted within SFPIM Defence to underpin these themes. The operationalisation of each theme, including granular mapping of market potential, deal flow, and target companies; requires further dedicated exploration that falls outside the scope of this paper.

(i) Ammunition and armaments

Belgium possesses a unique full value chain in this domain, with a leading EU position in small-calibre weapons, remote weapon systems, medium- and large-calibre turrets, and energetic materials. Key players include FN Browning and John Cockerill.

(ii) Aviation and critical air-bound technology

Belgian Tier-1 leaders integrate into EU primes such as Airbus, with distinctive expertise in wing movables and composites, flight control systems, and engine compressors. Key players include SABCA, Sonaca, and Safran Aero Boosters.

(iii) Space technology

Belgium's growing space-tech ecosystem can secure EU autonomy in ISR and secure communications. The sector is strongly dual-use: civilian applications (climate monitoring, agriculture, logistics) overlap

with military use. Investments can strengthen Belgian anchoring in EU space programmes such as IRIS^2. Key players include Aerospacelab, SPACEBEL, and OIP.

(iv) Military infrastructure and logistics

Belgium's designated role as a logistical hub under existing NATO plans offers opportunities in port security, rail security systems, infrastructure enhancing military mobility, aerospace monitoring, and logistical technology. The Ukraine war has demonstrated that military mobility is essential for deterrence and rapid reinforcement.

(v) In-service support and lifecycle services

Maximising the availability and lifespan of military systems through predictive maintenance and modular upgrades represents a growing market. Belgian expertise in aircraft and fighter MRO (Sabena Engineering, SABCA) and arms sustainment provides a solid foundation.

(vi) Maritime safety and mine countermeasures

Belgium is an internationally recognised leader in maritime mine detection and classification. The rMCM programme with the Netherlands exemplifies the potential for bilateral capability development. The sensorisation of Belgian waters—with below-, on-, and above-surface sensors—has significant dual-use potential.

As a side note, it is important to appreciate that this leadership is the result of a sustained strategic symbiosis between public Belgian defence planning and private industrial and technological investment and development. Belgium's defence strategy and spending have, over a long period, consistently prioritised maritime safety capabilities, creating a market environment for excellence that in turn generated international market opportunities, resulting in corporate champion potential. The niche of maritime safety shows the intimate link between defence strategy and industrial strategy, a link that the creation of SFPIM Defence should be able to develop and foster.

(vii) Cyber defence

Cybersecurity is a strategic domain where Belgium must invest nationally and at the European level. Priorities include defensive and offensive cyber capability, AI-based anomaly detection, quantum security and encryption, and sovereign digital identity. Belgium's cybersecurity landscape features strong smaller firms (NVISO, Intigriti, Aikido Security) and research centres (imec, KU Leuven), but lacks large system integrators.

(viii) Unmanned, hybrid, and autonomous systems

Belgium has a growing ecosystem in drones and unmanned systems, with potential in tactical drones, swarming AI systems, counter-drone solutions, subsystem software, and battery technology. The question of market saturation is debated, but the quality differentiation of Belgian high-technology components is expected to remain in demand.

(ix) AI-driven command and control (C4ISR)

C4ISR constitutes the nerve system of modern military operations. Belgian niches include secure tactical communication platforms, satellite-based observation, sensor fusion, data processing, and information-processing systems. Secure communications is a domain where a degree of strategic autonomy is particularly desirable, given Belgium's current dependence on foreign providers.

(x) Advanced soldier systems and human performance

Advanced soldier systems enhance the effectiveness, safety, and resilience of military personnel. Belgium can leverage strengths in textiles, material science, sensors, biotech, and pharmaceuticals to develop dual-use systems aligned with NATO and EU priorities.

Four additional themes have been identified where Belgian industry currently lacks a proven leadership role: *air defence, long-range precision strike, operational energy and power systems, and crisis response and civil-military resilience.* For these domains, funding may still be warranted in cases that support national strategic autonomy; for instance, if Belgium were selected to partner in building an EU production line for a foreign prime system.

5. The Institutional Positioning of a Federal Defence Fund

Investment framework: the double return

A defence fund is not a classic investment entity pursuing purely financial returns. It pursues a **double return**: strategic and economic. Strategic return is defined as the contribution of an investment to strengthening Belgian or European defence capabilities, technological autonomy, resilience, or interoperability within NATO and the EU. Economic return translates into industrial anchoring, job creation, export potential, and the sustainable scaling of technological innovation.

A project that delivers only financial returns but offers no added value for security, strategic positioning, or dual-use capacity should not qualify. Conversely, an investment with limited financial returns may be considered if its strategic value is sufficiently substantiated; for instance, in the case of niche capabilities with European significance or key technologies in their build-up phase. It is essential that investment decisions are based on genuine financial and strategic merit, and that existing SFPIM participations do not play a decisive role in the assessment of new opportunities.

Compartmented risk architecture

To address the diverse needs of the Belgian ecosystem and balance risk, impact, and maturity, a public defence fund could operate with a tiered compartment model, each with tailored instruments, criteria, and evaluation frameworks.

The compartment structure reflects two fundamentally different models of value creation in defence. The first is the deep tech model: a single dominant technology bet with high risk and potentially transformative returns, where the investment thesis rests on a breakthrough capability that redefines

a market segment. The second is the iterative industrial model: integration into existing systems, recurring maintenance and upgrade contracts, and long-term relationships with government customers that generate steady, if less spectacular, returns over decades. Both models create strategic value, but they require different investment instruments, different evaluation criteria, and different time horizons. The compartment architecture is designed to accommodate both.

Compartment I – Late-stage / Scale-up (primary allocation)

This compartment targets firms or technologies that are already market-ready but require capital to scale up. The objective is to strengthen Belgian presence in European capability development, often through industrial partnerships or participation in NATO/EU programmes. Instruments include equity and co-investments with private venture capitalists and industrial consortia. This compartment should receive a substantial share of the fund's resources.

Compartment II – Mid-stage / Defence contract potential (primary allocation)

This compartment finances firms in transition from prototype to pre-commercialisation, often preparing for European tenders or collaborative projects with Defence. Instruments include convertible notes, project finance, and conditional loans. The focus is on accelerating market introduction and enhancing competitiveness in EU/NATO calls

Compartment III – Early-stage dual-use deep tech (selective allocation)

The highest-risk but strategically crucial compartment targets deep tech, fundamental innovations, and young companies developing technologies with both defence and civilian relevance (AI, quantum, subsea sensors, energy storage, CBRN detection). Instruments include seed capital and match funding with European instruments (EDF, DIANA). This compartment should receive a limited share of total investment, given that many actors are already active in this space.

Fund size: a framework for calibration

The appropriate scale of SFPIM Defence cannot be determined by a single benchmark. It should be derived from the intersection of six considerations: *Ticket size and deployment logic*. The fund's compartmented structure implies different ticket sizes: late-stage scale-up investments typically require equity tickets in the range of tens of millions per deal; mid-stage investments are somewhat smaller; early-stage deep tech is smaller still but more numerous. A realistic annual deployment scenario, combining a limited number of larger strategic bets with a broader portfolio of smaller tickets, provides the bottom-up basis for estimating the required fund size over a given deployment horizon.

Deal flow absorption capacity. The Belgian defence and dual-use ecosystem is real but finite. Fund size should be calibrated to the volume of investable opportunities that can realistically be sourced, shaped, and closed at the required quality level. Oversizing the fund relative to available deal flow leads to either idle capital or lowered investment standards, both of which erode credibility.

Defence-specific inflation. Defence costs consistently outpace general inflation, driven by the increasing technological complexity of military systems, surging demand for scarce components and skilled labour, and supply chain bottlenecks across the European defence-industrial base. This means that the real purchasing power of the fund erodes faster than headline inflation suggests. A fund sized in nominal terms today will buy materially less industrial capacity and fewer strategic positions in three to five years. This argues both for adequate initial capitalisation and for built-in mechanisms to scale up over time.

Credibility threshold. There is a minimum scale below which a public defence investment fund will not be taken seriously: not by international co-investors, not by European prime contractors seeking industrial partners, and not by EU programme managers evaluating national contributions. The fund must be large enough to act as a meaningful anchor in co-investment structures and to signal genuine strategic commitment. Defence-specific inflation raises this threshold over time: what constitutes a credible ticket today will be insufficient tomorrow.

Leverage and crowding-in effect. SFPIM Defence is not intended to operate as a solitary investor. Its function is to de-risk and anchor, thereby mobilising private capital alongside it. The relevant metric is therefore not only the fund's own capital, but the total investment it can catalyse. A credible public anchor typically mobilises private co-investment at a multiple of its own commitment. The expected multiplier should inform the calibration of the fund's own size.

Peer reference points. While no single foreign instrument is directly comparable, the scale of peer-country vehicles provides useful orientation. The Dutch SecFund deploys public capital for early-stage dual-use; Invest-NL operates at a broader scale across strategic sectors; the UK's NSSIF combines fund-of-funds with direct investments; France's Defence Innovation Fund targets a substantial pool backed by institutional investors. Belgium's fund need not match the largest of these, but it must be in a range that allows it to engage with them as a credible partner rather than a marginal player.

The intersection of these six dimensions should guide the political decision on fund size. It is, ultimately, a political decision. But it is one where the substance of the commitment matters as much as the signal. European defence is a domain in which Belgium has a genuine opportunity to move beyond the symbolic: the industrial base exists, the strategic positioning is favourable, the European architecture is being built in real time. A fund that is too small to anchor serious co-investment, too small to command attention from European primes, or too small to withstand the erosive effects of defence-specific inflation, risks becoming precisely the kind of gesture that confirms rather than

"Starting with sufficient critical mass and the option to scale up is preferable to starting too small and struggling to build credibility after the fact."

corrects Belgium's reputation for underinvestment. Starting with sufficient critical mass and the option to scale up is preferable to starting too small and struggling to build credibility after the fact. The cost of starting too small compounds over time, while the cost of starting ambitiously can be managed through disciplined deployment.

Ethical investment framework.

A public defence investment vehicle should subscribe to an ethical investment framework compatible with European ESG principles and Belgian constitutional values. Investments should be excluded in: *controversial weapon systems* (cluster munitions, chemical/nuclear weapons, autonomous lethal weapons), *non-transparent foreign actors without due diligence or with human rights risks, and technologies with disproportionate risks of misuse or destabilisation* (e.g., surveillance without civilian oversight mechanisms). The framework should align with EU and EIB ESG standards, but without gold-plating.

Inter-federal cooperation and ecosystem integration

The Belgian institutional architecture requires careful inter-federal coordination. The regions have their own investment vehicles already active in sectors such as aviation, aerospace, cybersecurity, and critical infrastructure. Alignment between the federal entity and these regional funds is crucial to avoid duplicate structures and maximise complementarity. The flow from regional innovation subsidies (VLAIO, SPW Recherche, Innoviris) to federal investment tickets must be seamless. Involvement of foreign trade agencies (FIT, AWEX, hub.brussels) can strengthen international deal-flow.

Institutional alignment ideally should also imply procedural transparency and efficiency for potential investment proposals, for other investors, and for market players in general. A 'one stop shop' single point of access would be an ideal solution to avoid unnecessary confusion, delays or forum shopping. Any alternative that comes as close to that as possible in practice would be a defensible compromise. One needs to appreciate how "defence" is a sovereign and national power, and how the implication of "Belgium" will be an important factor in achieving deal potential, particularly if this involves international dimensions of some kind. Again, as indicated before, overcoming Belgium's institutional complexities while leveraging its decentralised capabilities at the same time, will be a critical challenge for the potential success of SFPIM Defence

> *"Having a sovereign defence fund is one thing. Turning it into a meaningful tool that can help make the difference and generate long-term economic and societal returns, is quite another."*

6. Success Factors and Policy Recommendations

Having sovereign defence fund is one thing. Turning it into a meaningful tool that can help make the difference and generate long-term economic and societal returns, is quite another. Based on our analysis and on extensive conversations with stakeholders, we summarize the following success factors and develop some of these more extensively below.

1. A clear determination of what SFPIM Defence is NOT

- No direct defence procurement (platforms, ammunition, equipment)
- No replacement of state's NATO/EU spending obligations
- No stand-alone infrastructure projects (except dual-use integrated ones & contribution to equity for essential military infrastructure)
- No controversial/prohibited tech (mines, cluster bombs, etc.) & no gold-plating
- No narrow national protectionism
- No purely financial play > always strategic + societal return

2. Critical Operational Factors

- A clear and strategic positioning in the market & towards market players & an upfront focus in investment themes and flagship projects: "dare to choose"
- Operationalize a shared desire of coordination and cooperation among all critical stakeholders
- Clarity, transparency, simplicity, and speed. De facto "one stop" reality for companies and private investors, and clear communication towards the market players

3. A Clear Positioning in the Ecosystem

- From innovation subsidies strategy (VLAIO, SPW Recherche, Innoviris) to investment tickets
- Involvement of foreign trade (federal) and regional trade & investment (FIT/AWEX/Finance Brussels)
- A flow from small scale start-up to scale-up with SFPIM Defence potential
- ODIN as a potential "DARPA-like" ecosystem within Belgium
- Cross-border approach: priority countries and European coalitions/consortia
- Close connection with political and diplomatic strategy
- Integration of institutional investors and private sector funding

4. Proactive Deal-Flow Development

- The capacity and expertise to identify, inform, coordinate etc. with a deliberate market outreach as a critical enabling factor
- Identification of flagship and champion potential in the dual use sphere
- Willingness to make strategic choices and focus in the investment strategy
- Significant speed for the roll-out: 2026-27 critical window of opportunity

Proactive deal-flow development

Without a qualitative and strategically relevant deal pipeline, a public defence vehicle cannot function as a leverage instrument. Building and maintaining a robust pipeline of investment projects requires active market engagement and a well-aligned ecosystem. Waiting for spontaneous dossiers will likely be insufficient. It must issue strategic calls, deploy scouting partners, and guide potential candidates towards investment readiness. **Deal shaping is as important as deal selection**.

Cooperation with European initiatives (EDF, DIANA, EIC), regional investment companies, and international venture capital funds increases access to quality projects, spreads risk, and enlarges scale. Clear communication about selection criteria, timing, ethical boundaries, and return expectations is crucial to building trust. The fund should also actively consider secondary tickets, investments in existing deals that are being extended or restructured.

The first investments are strategically formative. They set the tone for the reputation of SFPIM Defence. Choosing clear, impactful, and communicatively strong inaugural projects helps accelerate the deal pipeline through a *'pull effect'*. These flagship deals should demonstrate the fund's strategic logic: European embeddedness, Belgian anchoring, dual-use relevance, and tangible industrial and employment impact.

Smart international collaboration

Belgium alone will not be able to achieve impact proportionate to its aspiration. A coalition approach is essential. SFPIM Defence should proactively shape cross-border collaborations with EU and NATO allies sharing similar defence visions and priorities; for example within the Benelux framework, with France, or with Scandinavian partners. Such collaborations unlock mutual benefits, foster broader cooperation among policymakers and companies, and strengthen the participation of Belgian industry in international and European initiatives. SFPIM Defence can serve as a financial trump card in political and diplomatic strategy.

Speed and the window of opportunity

The political and economic window for establishing SFPIM Defence is narrow but favourable. The period **2026–2027** represents a critical window of opportunity, with defence spending surging across Europe, new EU financing instruments becoming operational, and Belgium's own accelerated spending commitments creating domestic demand. The capacity to move quickly - fast decision-making, flexible ticket sizes, simplified intake procedures - will be a decisive competitive advantage.

A one stop shop approach for companies could be clear, transparant and thus favorable.

What SFPIM Defence should not be

Clarity about what the fund does not do is as important as clarity about what it does. SFPIM Defence should not be a channel for direct defence procurement (platforms, ammunition, equipment). It should not replace the state's NATO or EU spending obligations. It should not fund standalone infrastructure projects (except dual-use integrated ones or contributions to equity for essential military infrastructure). It should not invest in controversial or prohibited technologies. It should not be a vehicle for narrow national protectionism. And it may not be not a purely financial play: there must always be a strategic and societal return alongside any economic one.

Defining success

Success for SFPIM Defence is multi-layered and must extend beyond financial return or the number of investments. It is measured across four dimensions:

- Strategic success: contribution to closing NATO/EU capability gaps in domains such as air defence, ammunition production, C4ISR, cyber resilience, space capacity, and unmanned systems. Importantly, SFPIM Defence is not intended to fill these gaps directly, but its investments should contribute to doing so.

- Economic success: Belgian firms become durable, international suppliers. Strategic capabilities are anchored in Belgium or within European-controlled structures, reducing dependence on non-allied third countries. The entity contributes to the sustainable development of jobs, strategic infrastructure, and knowledge.

- Societal success: dual-use innovations with broad societal relevance, including applications for crisis response, cybersecurity, energy independence, and protection of critical infrastructure.
- Systemic success: a culture shift in which public and private capital is increasingly directed towards security, strategic technologies, and resilience. SFPIM Defence can serve as a catalyst for better inter-federal cooperation on industrial strategy and innovation, and contribute to a more efficient defence industry—preventing funds from ending up in unwieldy, cash-consuming structures that underperform.

CONCLUSION

The international security context is structurally unstable and will, in all likelihood, remain so for years. For Belgium, this means that investing in security can no longer be equated solely with military materiel. It demands broad-based preparedness: technological edge, industrial anchoring, cyber and societal resilience, and agile coalition-building within the EU and NATO frameworks.

SFPIM Defence can make a decisive difference by investing precisely where Belgium adds genuine value: dual-use technologies, subsystems, and niche expertise in C4ISR, sensors, space, cyber, drones, energy storage, biotech/CBRN, maritime mine countermeasures, military mobility, and lifecycle services. The focus lies on bridging the ***'valley of death'*** between R&D and industrialisation, with a **double return** – be it strategic and economic - as the guiding norm.

However, the creation of SFPIM Defence is but an initial first step. Turning SFPIM Defence into a meaningful success requires clear and consistent political, strategic and operational priorities, as described throughout this report. We conclude with a brief summary of policy recommendations.

Policy recommendations

Based on the analysis in this paper, the following policy recommendations emerge:

Policy recommendations
Based on the analysis in this paper, the following policy recommendations emerge, structured by addressee.

For SFPIM Defence

1. Establish the fund at a scale commensurate with the calibration framework set out in this paper: large enough to anchor serious co-investment, command attention from European primes, and withstand the erosive effects of defence-specific inflation. Starting with sufficient critical mass and a built-in mechanism to scale up is preferable to starting too small and struggling to build credibility after the fact.

2. Adopt a **double return** mandate (strategic + economic) with an explicit ethical exclusion framework aligned with EU/EIB ESG standards, without gold-plating.

3. Structure the fund in three risk compartments (late-stage scale-up, mid-stage contract potential, selective early-stage deep tech), with the bulk of capital allocated to Compartments I and II.

4. Maintain a disciplined market definition with a primary defence-industrial focus. Flag defence-related infrastructure as a standing governance concern given the risk of mission drift toward a broader resilience agenda at the expense of the fund's core mandate.

5. Prioritise investment in the identified themes where Belgian industry demonstrates leadership or untapped potential, with primary focus on dual-use technologies that serve a military market first. The operationalisation of each theme requires dedicated bottom-up analysis of market potential, deal flow, and target companies.

6. Select first investments as strategic flagships that demonstrate the fund's logic (European embeddedness, Belgian anchoring, dual-use relevance, and tangible industrial and employment impact) and generate a pull effect for subsequent deal-flow.
7. Prioritise speed and simplicity in operations: fast decision-making, flexible ticket sizes, transparent criteria, and de facto one-stop-shop intake for companies and co-investors. The period **2026–2027** represents a critical window of opportunity that should not be missed.

For the broader stakeholder ecosystem

8. Ensure inter-federal coordination with regional investment vehicles (PMV, Wallonie Entreprendre, finance&invest.brussels) to avoid duplication and maximise complementarity. The flow from regional innovation subsidies (VLAIO, SPW Recherche, Innoviris) to federal investment tickets must be seamless.

9. Develop proactive deal-flow capacity through strategic calls, scouting partnerships, systematic alignment with EDF, DIANA, and EIC programmes, and active engagement with the Belgian defence-industrial base. **Deal shaping is as important as deal selection**.

10. Include qualified external input in the fund's investment committee, combining defence, financial, and regional expertise, to ensure that investment decisions are examined thoroughly and that strategic integrity and inter-federal coherence are safeguarded.

11. Actively integrate institutional investors and private capital into the fund's architecture. SFPIM Defence's function is to de-risk and anchor, thereby mobilising private co-investment at a multiple of its own commitment. The involvement of VC, family offices, and international players should be structured from the outset.

For political decision-makers

12. Proactively build cross-border coalitions with like-minded EU and NATO allies, within the Benelux framework, with France, and with Nordic partners, to leverage scale and strengthen Belgian firms' positions in international value chains. SFPIM Defence can serve as a financial instrument in political and diplomatic strategy.

13. Connect SFPIM Defence to Belgium's broader foreign trade, diplomatic, and defence procurement strategies. The implication of "Belgium" as a sovereign actor is a critical factor in achieving deal potential, particularly in international dimensions.

14. Sustain the political will required to give SFPIM Defence the autonomy, speed, and focus it needs to succeed. The creation of the fund is but an initial step; turning it into a meaningful lever for Belgium's industrial renaissance in security and defence demands consistent strategic commitment across legislative cycles.

15. Take a timely position on Belgian participation in the proposed Defence, Security and Resilience Bank and ensure strategic alignment with SFPIM Defence to avoid parallel structures that develop without Belgian integration.

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This paper draws on the publicly available sources listed below. In addition, the analysis is informed by structured consultations with institutional, industrial, and academic stakeholders, as well as by confidential documentation that is not referenced here.

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About Itinera

As an independent think-tank, Itinera has been working since 2006 on solutions to the social and economic challenges of our time. Its work is based on scientific analyses and published debate.

It inspires and encourages policymakers, entrepreneurs, and citizens to overcome the obstacles that hinder ideas.

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