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I. Introduction

The 2025 Armaments and Defence Industry Development Support Strategy of the Czech Republic (hereinafter the “Strategy”) responds to the need to systematically address the issue of armaments of the Czech Republic (hereinafter the CR) and the support of development of the Czech defence industry. It follows on from the Defence Strategy of the Czech Republic\(^1\), the Long Term Perspective for Defence 2030\(^2\) (hereinafter the “LTPD 2030”), the Czech Armed Forces Development Concept 2025\(^3\) (hereinafter the “CAFDC 2025”), the Armed Forces of the CR Mobilisation Concept\(^4\), and the State Territory Operational Readiness Concept\(^5\). The framework is based on the Security Strategy of the Czech Republic\(^6\). NATO’s Strategic Concept and the security policy documents of the European Union are reflected in the above-mentioned documents, in that they define the current and most pressing security threat scenarios to the Czech Republic. The goal of this Strategy is to meet the requirements of the CAFDC 2025 and the development concepts of the other components of the Armed Forces of the CR (AFCR), while at the same time supporting the development of the Czech defence industry.

The Strategy defines the vision, principles, strategic goals, and instruments and measures taken necessary for their realisation. It sets a qualitatively new approach to: ensuring the sustainability and the development of national defence industry capabilities; creating a system of Security of Supply; procuring military materiel\(^6\) and services based on an assessment of the current state of the Czech Armed Forces; the development and prospects of the domestic as well as European markets with respect to defence and security materiel; and to the state’s economic choices and changes in armaments requirements.

Definition of terms

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

**Armaments** – A set of principles, processes, activities, and the preparation of expert personnel, which, together, enable the AFCR to achieve the required level of capabilities by way of securing the requisite material and resources (military materiel and services).

**The Armed Forces of the Czech Republic (AFCR)** – The Czech Armed Forces (CAF), the Military office of the President of the Republic, the Castle Guard\(^7\), the Military Police and Military Intelligence. AFCR are the main channels implementing the national defence policy.

**Contract** – A public contract or a defence and security public contract\(^8\).

**The Czech Defence Industry** – Public and private businesses active within the territory of the Czech Republic and, capable of manufacturing and supplying military materiel and services necessary for the proper functioning of the Czech Armed Forces, including the capacities to cover the life-cycle cost of military materiel.

**Defence Industry** – Businesses from the defence and security industry of NATO and EU countries or other non-member states.

**Economic Mobilisation** – Organizational, material, personnel and other measures through which the Ministry ensures the mobilisation of supplies for the AFCR during a state of emergency or in wartime.

**Interoperability** – The ability of the various systems to cooperate effectively and provide services to one another, and promote and achieve mutual cooperation with the armed forces of other nations within NATO and the EU. Interoperability\(^9\) is achieved by abiding by set standards and understanding mutual compatibility.

**Life – Cycle of Military materiel (Products)** – The development of the timeline of military materiel from the initial planning stage of procurement to its removal from inventory. The life-cycle of military materiel according to

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\(^1\) The Defence Strategy of the Czech Republic: a Responsible State and a Reliable Ally. Authorised by the Government of the Czech Republic on 26 Sep 2012;

\(^2\) The Long Term Perspective for Defence. Authorised by the Government of the Czech Republic on 15 Jun 2015;

\(^3\) The Czech Armed Forces Development Concept 2025. Authorised by the Government of the Czech Republic on 21 Dec 2015;

\(^4\) Section 16 of Act No. 2/1969 Coll., on the Establishment of Ministries and Other Central Government Authorities of the Czech Republic, Section 2 of Act No. 222/1999 Coll., on the Safeguarding of Defence of the Czech Republic, as amended;

\(^5\) Security Strategy of the Czech Republic. Authorised by the Government of the Czech Republic on 4 Feb 2015;

\(^6\) Section 2 of Act No. 219/1999 Coll., on the Armed Forces of the Czech Republic, as amended;

\(^7\) section 3, para 2 of Act No. 219/1999 Coll., on Armed Forces of the Czech Republic, as amended;

\(^8\) Sections 14 and 187 of Act No. 134/2016 Coll., on Public Procurement;

\(^9\) AC/259-N(2009)0022, NATO Interoperability policy – Definition: “Interoperability is the ability to act together coherently, effectively and efficiently to achieve Allied tactical, operational and strategic objectives.”
NATO standards\textsuperscript{10} is divided into the pre-concept and concept stage, the development stage, the procurement (production) stage, the utilisation stage, and the support and retirement stage.

**Military Materiel** – Military equipment, weaponry, technologies and designated technical devices used to carry out AFCR missions, and which are subject to expert government supervision.\textsuperscript{11, 12}

**Property Reserves**\textsuperscript{13} – The specified items and numbers of movable property required to meet the demand in order to fulfil the functions of the MoD, according to their purpose and time scale, they are further divided into:

a) Reserves of property for common use
b) Reserves of property for ensuring combat activities.

**Essential Security Interest of the State** – The system of the state’s long-term priorities with respect to defence and security, based on it providing security to its citizens, properties and infrastructure and ensuring the inviolability of its own territory. Providing economic and natural resource security for the CR and strengthening the economy’s competitiveness are of fundamental strategic interest and set out in the Security Strategy of the Czech Republic.\textsuperscript{14}

**Security of Supply** – A set of measures followed while ensuring military materiel supplies necessary to fulfill the missions of the Czech Armed Forces, and for the Czech defence industry when performing tasks connected with the defence of the state. The sought-after situation with the security of supply is such where the threat of reduction of capabilities of the AFCR as a result of a lack of military materiel, energies or resources for the defence industry is reduced to the lowest degree possible while at the same time, demographic and environmental threats are eliminated.

**Service** – Provisions of personnel logistics, the organizational units of the MoD CZE operations, maintenance and the supply of movable as well as fixed property.

**State Enterprise in Defence** – A legal person appointed by the Ministry on behalf of the Government to perform business activities involving state property and carried out in name and the responsibility of that person, who also serves the important society-wide, strategic or publicly beneficial interests of the Government, as defined by its founding charter. The director of a state enterprise is appointed and/or dismissed by the Minister of Defence. Two thirds of the members of the supervisory board who approve the principal development concepts of the enterprise, as set by the contracting authority, particularly in production strategy and service development, are appointed by the founder.

**A Strategic Supplier of Military Materiel** – An economic entity within the Czech Republic with defence-industrial capabilities guarantees the security of supply necessary to maintain the defensive capacity of the state. The state has under its controls or supervises the entity’s legal structure, information security and supply chains. Ensuring the defence-industrial capabilities of a strategic supplier is an important priority among the other essential security interests of the state.

**State Territory Operational Readiness** – A set of measures of a military, economic and defence nature, which are planned and executed in peacetime, during a state of emergency or in a state of war, with the purpose of creating the necessary conditions in the country in order to fulfil the missions of the armed forces, as well as caring for the needs of its citizens.

**Strategic Partner State** – A state with which the Czech Republic builds long-term defence cooperation while, at the same time, ensuring the capabilities of the AFCR.

**Technologies** – A set of techniques, skills, methods and processes established using scientific knowledge, and applied in the production of products or services, and used to accomplish other goals. Military Technologies are explained as the application of technology in the production and operation of military materiel used in connect with the defence capability of the state.

\textsuperscript{10} AAP-48, Ed. B, version 1, NATO System Life – Cycle Stages and Processes;
\textsuperscript{11} Section 2 of Act No. 219/1999 Coll., on the Armed Forces of the Czech Republic, as amended.
\textsuperscript{12} Ammunition, spare parts, pharmaceuticals and consumable medical materiel, service animals and other specified property is further understood as military materiel;
\textsuperscript{13} Minister’s Order No. 48/2013 of the Bulletin Property Management and Handling within the authority of the Ministry of Defence from 6 Jun 2013;
\textsuperscript{14} Art. 14, 77, 80, 90 and 91 of the Security Strategy of the Czech Republic;
The Ministry of Defence of the Czech Republic (hereinafter the “Ministry”) ensures the interconnection between the armaments strategy of the AFCR and the development of the Czech defence industry. The foundations for the support and sustainability of the AFCR lie in its domestic capabilities and the capabilities of public enterprises established by the Ministry, specifically when it comes to:

1) Procuring weapons and equipment for military personnel;
2) Key systems for Land Forces;
3) Key types of ammunition for the Land Forces and the Air Force;
4) Radar and surveillance systems;
5) Ensuring at least basic serviceability of aircraft from domestic sources;
6) Communication and information infrastructure and its protection.

The armaments of the AFCR are maintained in peacetime, during a state of emergency and in wartime. The mechanism of declaring a state of emergency or war is defined by the constitutional order of the Czech Republic. After the declaration of “a state of emergency” and “war”, the process of armaments and the procurement of property begin as laid out in specific binding legal regulations.

The subject of this Strategy is the armaments of the AFCR and the support of the development of the Czech defence industry development during peacetime. Ensuring the needs of the AFCR in general, as well as its needs in state of emergency and/or war, its mobilisation requirements are not part of the Strategy subject matter. The Ministry works under the principle that peacetime armed forces are the basis and foundation of wartime armed forces. The Ministry guarantees an adequate response to changes in the security environment based on this principle. In the case of the Czech Republic, it is also necessary to react to the consequences of the long-term under-financing of the Czech Republic’s defence budget, and the acceptance of a deferred need in its Land and Air Force, the result of which is low manning levels with only partial refitting and updating of the Land Forces; approximately one third with the rest being supported with systems which are 30 years old or older and usually of Soviet origin combined with minimal supplies necessary for dealing with modern warfare and during operations.

The Czech Republic is currently in a state of peace, as it was in the 1990’s. However, in relation armaments, these are two very different periods. Compared to the 1990’s, we now live in a time of increased global instability. European NATO Allies are surrounded, from the East and South, by an almost continuous series of crises and conflicts with increasing threats from governments as well as non-government players, military and terrorist factions, and cyber and hybrid attacks. Globalisation and the nature of these threats have moreover spawned the need for the AFCR to increase deployability in a wider range of operations, which, in turn, places additional and increased demands on armaments, equipment and training technologies and readiness of military professionals. These concurrent security environment issues are placing increasing demands on:

- Flexibility while developing/enhancing the AFCR, including defence preparations for equipping a wartime Armed Forces,
- Faster provision of materiel in connection with the current hybrid threats which result in accelerated operational requirements,
- Improved preparedness for crisis situations.

The above-mentioned requirements and demands call for a timely, at the same time systemic procurement of property from the Ministry, whose goal it is to provide the capabilities authorised by the government and set out in the CAFDC 2025 and AFCR concepts. The concept also defines the strategic armaments projects, or the required armaments systems the CAF are seen as the backbone of the AFCR. The Concept also ensures compatibility with the AFCR Mobilisation Concept and with the State Territory Operational Readiness Concept.

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15 State enterprises founded by the Ministry of Defence of the CR ensure strategic interests of the state in accordance with Act No. 77/1997 Coll., on State Enterprises, as amended. In connection with Section 189 of Act No. 134/2016 Coll., on Public Procurement, public contracts can be awarded to state enterprises in the area of defence in the form of vertical cooperation.
The Ministry, in fulfilling the duty of armaments and the modernisation of the CZE AF, builds an armaments system which is transparent to the Czech defence industry and the public, with special emphasis on the preparation of projects and actions authorising the supply of military materiel and services within the specific parameters, the requisite timeframe and quality while abiding by the rules, thereby ensuring the best value for money.

The Ministry conducts essential market research and supervises the process of information, studies and analyses, which in turn generates important data on the required technologies and products in necessary to fulfill the capability needs of the CZE AF, and maintain updated information on the management process of different contract life-cycles.

The sources of information for the purpose of market research are: expert publications; open information sources; informative visits to exhibitions and fairs; and NATO Armed Forces and EU member states; NATO's tactical and operational training exercises with representatives of the industry; the tools and instruments for the electronic marketplaces; the national electronic infrastructure; knowledge and experience of the process of previously supplied and established military materiel and services within the CZE MoD or the Armed Forces of NATO and EU member and non-member states.

To ensure an effective, and economically efficient armaments process, the Ministry uses and develops the MoD Armaments and Acquisitions Division (MoD AAD) in accordance with current needs. Its mission is to ensure a reasonable measure of centralisation of contract awarding, to adopt an adequate approach which utilises the capabilities of the defence industry, research and development, capacities and the academic community when procuring military materiel and services. To that end, the MoD effectively draws on multinational cooperation with NATO and the EU, insofar as such regional and bilateral cooperation is advantageous for the Czech Republic.

The Ministry prefers, in the interest of time, reliability and efficiency, and when addressing urgent operational needs, procure affordable and proven military materiel which can be accessed on the global defence and security market.

The Ministry supports the development of stable, sustainable and balanced growth of the Czech defence industry. Long-term cooperation with the Czech defence industry allows it to increase investment into research, development and innovations in fields where the market is unable to fulfill the needs of the ACFR.

The Ministry prefers to execute multi-annual contracts. These contracts stabilise the supply needs of the ACFR and optimise the process of financial resources planning. Multi-annual supplies allow the Czech defence industry to invest into development, to improve quality and ensure the security of supply.

The Ministry, in accordance with regulations, guarantees, when necessary, to secure the provision of supplies during the full life-cycle of these products.
The Ministry, in accordance with regulations, introduces a system of determining the complex expenses for the Life Cycle of military materiel, particularly in the case of strategic and important contracts, and when taking into account the impact to the environment and the need for an extensive defence infrastructure.

The Ministry awards contracts to meet/achieve the target numbers of military materiel in order to ensure the compatibility and uniformity of the military materiel in use, consequently, facilitating operational deployment, command structure, logistic support, preparation and training of personnel, standardization, interoperability, and effective use of simulators and other training devices.

The Ministry uses a framework agreement for its contracts as an efficient tool for the procurement of certain predefined broad spectrum of materiel and services (including mobilisation needs). The Ministry decreases the administrative burden when dealing with repeated preparation of subcontracts, not only for the contracting authority, but also for the potential suppliers.

The Ministry determines the processing system during the preparation of the tender documentation. In order to successfully execute these contracts, a timely initiation for the submissions of tender documents is an essential precondition. The Ministry thus minimizes the infringement of economic competition.

The Ministry continuously monitors the overall duration of contractual relationships executed with suppliers and, some time before the end of the contractual relationship, and analysis is carried out to ensure the contractual need.

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24 Sections 117 and 118 of Act No. 134/2016 Coll., on Public Procurement. In case that Life-Cycle costs are included in the assessment of the offers, the contracting authority states information in the tender specifications that need to be provided by the participants of the tender procedure, as well as the method that the contracting authority will use to determine the Life-Cycle costs according to such information;

25 Section 131 of Act No. 134/2016 Coll., on Public Procurement;

26 Duration of the framework agreement in the area of defence or security must be no longer than 7 years, with the exception of cases where the expected service life of the supplied goods is taken into account as well as the difficulties caused by a change of contractor, the contracting authority is obliged to duly account for such objective causes.
The Ministry, via the Defence Standardisation, Codification, and Government Quality Assurance Authority, applies government quality assurance in accordance with Act No. 309/2000 Coll., on Defence Standardisation, Codification and Government Quality Assurance. With the contractual terms and conditions, it creates a process of codification and product quality monitoring for the purpose of inspections to confirm standards and the supply of military materiel currently being used.

The Ministry uses the Government Supervision Department and the Military Aviation Department of the Czech MoD Supervision and Inspection Division to approve the introduction of materiel and equipment into the AFCR inventory.

The Ministry abides by the legal regulations of the Czech Republic in fulfilling the armaments mission of the AFCR in a state of emergency, or during wartime, but also in the state of crisis on CR territory which is not connected with ensuring the defence of the CR.27

The Ministry considers the state enterprises appointed by the Ministry as Tier 1 strategic suppliers.28

II.2 Security environment and technology trends

The global security situation has been significantly worsening. Relations among states have changed. We now face a more diverse, difficult to predict, demanding security environment. Russian aggression in Ukraine as well as the territorial and operational growth of influence of the Islamic State proves that Europe is being directly threatened by the instability of its neighbours, and is facing the biggest migration pressure in the history of the EU. According to the Security Strategy of the Czech Republic, revisionist policies of some world powers, the growth of various forms of extremism, terrorism and the proliferation of weapons of mass destruction and their carriers, including ballistic missiles are among the main threats to the Czech Republic in the medium term. Cyber and hybrid threats, the use of commercial technologies for military purposes, specifically information and communication technology, represent a critical new type of threat.29

In this security environment, the provenance of military materiel procured by the AFCR is a paramount issue. Self-sufficiency in weapons and ammunition manufacturing has always been a prerequisite for greater security and has often led to the dominance over those who were not self-sufficient. Dependency has always been a risk; albeit a hypothetical risk and one often disregarded in peace time. In times of crises, it has however manifested, often fatally, and today’s failure surrounding the principle of deferred need approved in reformist materials of the previous governments is proof. In times of crisis, we can only rely on ourselves and on our closest military-political allies.

The Ministry reacts adequately to the security of supply. The security of supply of military materiel represents a strategic part of the state’s security provision.

From the point of view of industry capabilities, the Ministry looks for ways of attaining technological saturation with the equipment from Czech defence industrial base in order to fulfill capability requirements of the AFCR.30 A strong defence industry gives each state the key component of defensive capacity – a military-technological base and the security of supply. The more a country relies on importing weapons systems, the less certainty they have that they are fully prepared to defend their country in the event of a crisis.

Technological developments within the Czech Republic and their use for armaments needs have a fundamental impact on the development of the AFCR, which in turn, facilitates economic benefits and growth in civil areas.

II.3 Trends in armaments and the role of the state

The successful employment of the CZE AF (in peacetime as well as wartime) is, from the armaments viewpoint, determined by the acquisition of interoperable military materiel of a highly technological level, and the capability to equip the CZE AF with military materiel during a worsening security environment. The goal of the Ministry

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28 see p. 37, part II.1.1, Strategic characteristic of the contractors;
30 As defined in the Czech Armed Forces Development Concept 2025, see http://www.mocr.army.cz/images/id_40001_50000/46088/KVA_R_ve_ejn_n_verze.pdf.
is to maintain and optimise the necessary industrial capacities, the scope of the defence infrastructure, and the
generation of essential stocks.

The Ministry ensures the necessary standardisation levels and uniformity of the military materiel.

The Ministry considers the Czech defence industry a key element in the strategic support of the CZE AF capabilities development which contributes to the strengthening of the political, economic and diplomatic ambitions of the CR.

The Ministry continually monitors the trends of the future development of technologies\(^{31}\) with the aim of ensuring technological superiority over a potential opponent\(^{32}\). Based on past results, it primarily favours areas which may lead to future technological threats (biotechnology, robotics, information technology, nanotechnologies and materials, sources of energy and systems\(^{33}\) – BRINES). In order to maintain the necessary technological level of the Czech defence industry, the Ministry supports scientific education, research, development and innovations.

The Ministry encourages the technological development of the Czech defence industry by supporting international cooperation, mainly with partners from NATO and EU member states, with special emphasis on trans-border partnerships, the participation of Czech (small and medium) enterprises in supplier chains (as part of international projects) and the transfer of technologies. It supports the development of the capacities of the domestic industry via defence research, development and innovations, and implements acquisition policies as a way of ensuring the security of supply related to the capabilities and development requirements of the Czech defence industry.

The framework for the priorities of defence applied research, development and innovations in line with development needs of the AFCR, and the provision of government support, are part of the Concept of defence applied research; the development and innovations for the period from 2016-2022 authorised by the Government Council for Research, Development and Innovations in 2015 and the Government in 2016. The Concept enables the Czech defence industry to focus on the future needs of the AFCR.

\(^{31}\) Technology Trends Survey “Future Emerging Technology Trends” HQ Supreme Allied Commander Transformation, Defence Planning Policy and Analysis Branch, version 3, February 2015;

\(^{32}\) Advance in commercial research and development leading to a development of production and use of applications of double use (dual use products) including their availability on the market increasingly becomes natural;

\(^{33}\) BRINES – Biotechnology, Robotics, Information Technology, Nanotechnology and Materials, Energy and Resources, and Systems. The BRINES technologies were defined by Linton Well II, Pd. D., Director, Center for Technology and National Security Policy, National Defence University;
II.4 Decision-making sovereignty in armaments

Defence is considered a core element of national sovereignty and the decisions made on military capabilities and how they are carried out remains the responsibility of the member states.34

The Czech Republic, in line with binding legal regulations,35 and supporting the strategic interests of the state, is bound to supply military materiel and public contract placements with the safeguard of national sovereignty firmly in mind. In line with the EU’s binding legal regulations, it takes steps to protect its operational advantages, essential security interests, security of supply, while maintaining the freedom of strategic decision-making in enhancing the capabilities of the armed forces.

In some cases where it is in line with the state’s security interests and the security of supply, materiel and services are procured via open tenders on the national, European, and global markets. In other cases, concerning the essential security interests of the state and the security of supply, the Ministry makes the exceptions stated in the Treaty on the functioning of the European Union (TFEU), as well as the exceptions laid out in the above-mentioned EU directives36, 37, 38. The idea is to have the possibility of applying these perspectives and requirements when choosing the supplier provided that the legal regulations of public order placement are complied with.

II.5 Conclusions of armaments analysis

Successful employment of the AFCR, in relations to armaments, depends on the procurement of interoperable high technology military materiel and capabilities and on the ability to supply the AFCR with adequate military materiel as the security environment worsens. The goal of the Ministry is to maintain necessary optimised industrial capacities, including the creation of crucial supplies.

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34 Treaty on the Functioning of the European Union (TFEU) stipulates in Article 4 (2) that “national security remains the sole responsibility of each member state”. Similarly also the European Commission emphasises in its communication to the European Parliament and Council (2013) that defence is still the core of national sovereignty and decisions on military capabilities remain a responsibility of the member states. Directive 2009/81/EC in article 1 states that national security remains the sole responsibility of each individual member state, be it in the domain of defence or security.

35 Act No. 134/2016 Coll., on Public Procurement;

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


38 Directive of the European Parliament and Council 2009/43/EC, from 6 May 2009, on simplifying terms and conditions of transfers of defence-related products within the Community;
A fundamental task of armaments, which stems from the analyses carried out during the processing of the CAFDC 2025, is to substitute a large part of military materiel which is at the end of its life-cycle and is morally and physically obsolete, and replace movable and operational reserves. To ensure the development of the AFCR capabilities it is necessary to procure new arms systems; provide military technology and materiel for the Land Forces, the Air Force, the Special Forces, and the intelligence and logistic support for the CAF and the AFCR. The primary focus is on the provision of material and equipment for military professionals, the introduction of new equipment into the inventory of the Land Forces and their continued development. The Ministry will focus on increasing the currently insufficient level of standardisation, with special attention paid to the unification problems which can hamper operational deployment, decrease combat effectiveness and increases the costs of logistical support and training. The current task is to work on the issue of ensuring the security of supply during the Life – Cycle of military materiel.

The analysis of the armaments situation carried out during the preparation of the strategy39 highlights the current shortages that need to be resolved. Among the principal shortfalls are the persisting problems in medium and short-term planning of acquisitions, a lack of a long-term planning, and issues the transition and acquisitions process from peacetime to a state of emergency or war.

Additional challenges present themselves in organisational and personnel development, due partly to underestimating expert personnel requirements which lead to the lack of stability in these areas in the period prior to setting up the MoD CR Armaments and Acquisitions Division. As a result, there exists a reluctance to implement new principles and methods for awarding public contract more efficiently and improving project management methods. Inefficient transition to a centralised system of public contract placement, the lengthy and bureaucratic preparation process, approving and placement of public contracts are also among other issues which need addressing, as well as implementation of acquisitions negatively affected by inadequate software support, which hinders the transparent and smooth administration of public contracts. Another problem area is in the non-existing framework for the responsibility for bilateral and multilateral international cooperation in armaments, insufficient transparency and cooperation with the defence industry, particularly, during the pre-acquisition stage the public contract process, underestimating market research to. Following the deliberation of the analysis, the solution to many of the challenges and shortcomings identified have already been implemented, particularly addressing the organisational structure, personnel and administration issues. Measures leading to the optimisation of other processes, such as the development of bilateral and multilateral cooperation in armaments have been analysed and adopted by the Ministry.

The Ministry considers the defence industry a key element in supporting the development of capabilities and which helps to strengthening the political, economic and diplomatic ambitions of the CR.

The goal of the cooperation of the Ministry with the defence industry is to secure the supplies of strategic military materiel and services and to procure and maintain operable critical arms systems and ensure the Czech Armed Forces’ operational needs. The Ministry supports the defence industry capable of stimulating the creation and development of manufacturing capacities allowing for the security of supply of military materiel. To maintain a high technological level of defence industry, the MoD CR supports scientific education, research, development and innovations.

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The Czech defence industry represents one of the basic cornerstones of the security structure of the state. The defence, security and economic benefit for the state is indisputable. If correctly managed, stimulated and systematically developed in line with the political, security and economic interests of the state, it will represent the industrial, research and scientific base while ensuring the strategic and security supplies and service required for national defence, as well as being integral from foreign policy, socio-economic and technological perspective.

The Ministry’s main aim when cooperating with the Czech defence industry is to secure supplies of military materiel and services in order to acquire and maintain the serviceability of the critical weapons systems and ensure the operational needs of CZE AF are fulfilled. The Ministry’s support of the Czech defence industry allows for the establishment and development of research, development and production capacities, thereby ensuring a cutting edge technological expertise and the security of supply of military personnel.

The Czech Republic cannot rely solely on its own technological capacities and financial resources since, in certain areas, it cannot manufacture the necessary equipment for its armed forces; the Czech state cannot be the primary, or the only customer for the domestic defence industry if the industry wants to remain on the cutting edge. Nevertheless, it cannot allow itself to be dependent on potential adversaries in area of key technologies going forward.

Thus, it is necessary to maintain the current globally competitive capacities of the Czech defence industry and ensure its development in areas which are essential to the CZAF and achievable in the medium term. Meanwhile, it is necessary to ensure strategic partnerships with close political partners, enabling the Czech Defence industry to remain in a position to augment the financial and technological resources from abroad.

Therefore, in order for Czech business corporations to reach the necessary production level in the long-term run, they should operate successfully on foreign markets. Trading in military materiel is also a very specific foreign policy matter; the rules for which are not subject to the regulations of the common free market and cited in Act No. 38/1994 Coll., on foreign trade in military materiel. To that end a transparent and responsible trade in military, political support from the domestic government is essential. Included in the Strategy is a series of measures and initiatives which will lead to enable Czech defence industry enterprises to achieve long-term success in foreign markets.

The implementation of export contracts of military materiel depends on support from the state, and in some cases where the exporter is a private entity, but should be in line with the international commitments of the Czech Republic and the foreign-policy priorities of the Czech Government. State support for the Czech defence industry is therefore vitally important. The Czech Republic thus earns prestige on the international scene and creates valuable partnerships which have strong potential to overlap into other areas of cooperation.

The Czech defence industry has long been one of traditional manufacturing sectors, established in the mid-nineteenth century, and its enterprises are important regional employers. It also provides employment and professional growth for highly qualified workers and eliminates a brain drain from regional areas and the country.

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40 Strategy of the Relationship of the State and the Defence and Security Industry provides as areas of significant security interests of the Czech Republic the following: small arms and light weapons and ammunition, information technology (IT) and communication, defence against weapons of mass destruction and explosives, command and control, logistical provision of combat equipment in the inventory of the CAF, field medical support, strategic transport capacities, fuel, cyber defence, reconnaissance surveillance systems. See the Strategy of the relationship of the state and the defence and security industry, pp. 11-12. Available online at: http://www.mzv.cz/file/1163948/Strategie_vztahu_statu_a_obranneho_a Bezpecnostniho_prumyslu_CR.pdf. Other than these areas, it is nevertheless necessary to define new areas and principles of development of defence industry described by this Strategy of Support of the Defence Industry that stem from the CAFDC 2025 document based on detailed analysis.
IV. IV. Trends in the Industry Environment and Their Implications

IV.1 Global consolidation and internationalisation of the defence industry

From a structural point of view, a key issue for the Czech Republic is the imminent trend towards centralisation and internationalisation of the defence industry. Big players in the defence industry field are presently merging into conglomerates with vastly superior technological and capital resources. Their goal is to concentrate resources on research and development and work with other players in pressuring non-European and European markets. This consolidation often takes place by disposing of useless or not competitive enterprises, or by establishing new partnerships and merging businesses on the national or international level. These processes enable the restructuring and production efficiency of enterprises often to dual-use technologies.

The defence industry, thus, also assumes an increasingly international characteristic, both in production and distribution and modern technology. Strong international supply chains are created which interconnect individual states and sectors, not only on domestic markets. A few dominant suppliers are now present in the armaments industry, with smaller players having no choice but to narrow their focus and become part of supply chains and international research programs.

The Czech defence industry consisting of mainly small and medium enterprises is thus now more often forced to compete with capital-strong conglomerates that have international ties, influence and likely to have the support of one or more governments. For entities of the Czech defence industry, it is important to establish partnerships with these conglomerates, and, as a result, become involved in their enterprises as subcontractors or strategic partners should they enter into foreign markets. The impact of these global trends in NATO and EU member states is vital to the Czech Republic.

IV.2 The defence/industry policy of the Czech Republic within the EU and NATO

Europe is on the verge of a major defence industrial change. Currently, the European defence industry still has limited defence budgets, while at the same time eager to cooperate on international programs on an increasingly globalised defence market. The competitiveness of the European defence industry has been significantly weakening, with its fragmented state, and a wide a range of ongoing armaments programs carried out simultaneously. A certain measure of consolidation is therefore inevitable.
Over the past twenty years, it has been possible to observe two trends which demonstrate the foundations on which the European defence industry's competitiveness can be enhanced, namely, national consolidation and trans-border strategic partnerships on a bilateral basis. For some time now, the EU has responded to growing competition by attempting to interconnect and unite European industry. In this context, the need to strengthen and ensure European autonomy and EDTIB has often been discussed, but many countries still do not have their own defined defence/industrial policy. The EU and NATO can serve as platforms upon which these consortiums can be built up. It is however difficult to imagine the defence industry's total acceptance of the EDTIB idea.

The process of forming partnerships should be, from an industry standpoint, open and economically efficient, and with regard to the member states, above all, it should be balanced, reflecting the need of each country to guarantee the security of supply for their armed forces without increasing the risks connected with a growing dependency on foreign suppliers. The Government of the CR views discussions on cooperative projects as a necessary first step towards building the EDTIB, and not as a follow-up step. It is now absolutely essential to focus on functional models of strategic partnerships with specific countries and their defence industry. The European market in military materiel (EDEM), an environment which allows for the development of EDTIB, is based upon the principle of balance in dependency, not one of dominance and inferiority lacking in guarantee and safeguard mechanisms, and should respect European legislative process.

41 European Defence Technology Industrial Base;
42 Mostly EU Member States from Central and Eastern Europe;
43 European Defence Equipment Market.
The Ministry’s approach to defence/industrial policies at an EU level is based on the principle of avoiding duplication within NATO and the EU.

From a defence-industrial point of view, NATO is a key forum to discuss, on a regular basis, the Alliance’s approach to industry, and the improvement of mutual communication. Given that all NATO member states have only a single set of forces, and the majority are concurrently EU members, it can be concluded that, despite the different approaches of the EU and NATO, their attitudes and demands on the industry and participation in fulfilling these ambitions are interconnected.

As well as older and more routine styles of cooperation, such as the range of activities of the CNAD (STO, NIAG, DAT POW) and others, new procedures are being implemented in relation to international economic development, and also in certain political situations, where the Czech Government, via the Ministry, keeps the Czech defence industry informed and supports its involvement in NATO activities, such as the Framework for NATO Industry Engagement.

In the near future, we can expect a strengthening in role of industry and its close involvement in ongoing relations with NATO in order to ensure compliance with existing procedure and the industry’s part in the process of defining its defensive capability requirements. The Ministry, via the Czech Government, exerts pressure on the Czech industry, including the scientific and university centres, to participate in NATO studies and research on future projects and procedures.
V. Armaments Vision and the Strategy goals

Armaments visions and the support of development of the Czech defence industry lies in optimising the system of armaments, supporting capability building of the modern and interoperable CZE AF by way of acquisition of military materiel of a high technological level and services, ensuring the sustainability and development of the Czech defence industry, the security of supply in cooperation with the Czech defence industry, including the utilisation of strategic capacities of state enterprises in the area of defence industry.

The fulfillment of the visions concerning armaments and the support of development of the Czech defence industry is a basic precondition of achieving the strategic goals of the building of CZE AF and the development of its capabilities.

A global goal of the Strategy is to equip the CZE AF with an advanced, efficient, safe, interoperable and modern military materiel and services; all that in connection with readily available resources, planned terms/dates, capabilities of the Czech defence industry and the required quality.

The fulfilment of the vision of a global goal of the Strategy is determined by:

- Providing sustainability and development of defence-industrial capabilities of the domestic defence industry;
- Setting a procedural system of security of supply;
- Using the potential of cooperation with the defence industry to the full;
- Ensuring long-term planning in armaments;
- Ensuring timely preparation and implementation of capabilities building programs and projects;
- Ensuring an efficient and transparent acquisition process;
- Ensuring standardisation and interoperability of military materiel;
- Ensuring security of supply of military materiel and decision-making sovereignty;
- Ensuring targeted support of science, research and development;
- Ensuring market research analyses and making use of project management and following trends in armaments and development of new technologies;
- Ensuring effective use of bilateral and multinational cooperation in armaments.

V.1 Armaments vision and goals

The Ministry has the following visions and goals as far as armaments are concerned:

I. Ensuring efficient and transparent acquisitions;
   Instruments
   • Implementation of principles of efficient acquisitions into the processes and procedures of project management;
   • Implementation of EU directives on public procurement;
   • Cooperation and interoperability in armaments;
   • Bilateral and multinational cooperation development

II. Armaments projects implementation according to requirements of the CAFDC 2025 and the AFCR Concepts;

III. Support and development of acquisitions planning and the preparation of personnel for armaments stability.
   Instruments
   • Setting the system of acquisitions planning;
   • Preparing personnel for planning and management of armaments projects.
Armaments goals matrix

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V.2 Implementing the goals for the Armaments system

Goal I – Efficient and transparent acquisitions

The implementation of goals lies in the development of the principles of effective acquisitions into the processes and procedures of project management, with special focus on the Life – Cycle of the project, and based on the implementation of the EU 2009/81/EC⁴⁴ and 2014/24/EC⁴⁵ directives and the new Act No. 134/2016 Coll. on Public Procurement in Departmental Regulations, on setting up a transparent system of market research in the MoD CR, and the system of training and certification of project administrators and project managers.

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⁴⁴ Directive of the European Parliament and Council 2009/81/EC, from 13 July 2009, on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC;

I.1 Implementation of the principles of efficient acquisitions into the processes and procedures of project management

The Ministry sets the following measures for the implementation of goals:

- Apply the procedures for efficient acquisitions proposed by the NATO/CNAD and EU/EDA authorities, and proven in public administration as well as private enterprises;
- Optimise costs while taking into consideration the requirements for an increase of usability of military materiel and the logistical costs for the Life – Cycle.\(^4\) The purpose is to lower the acquisition and operation costs and increase operational reliability;
- Thoroughly manage armaments programs and projects according to the principles of project management;
- Focus on the tasks of defence research, the development and innovations of the future demands on military capabilities, and on using dual technologies;
- Implement the requirements on interoperability, defence standardisation and codification, and ensure government quality assurance;
- Consider the costs of the complete Life – Cycle of military materiel\(^4\) (LCC analyses)\(^4\);
- Make use of the services of the EU and NATO’s (e.g. the NSPA\(^4\)) specialised acquisition sites\(^5\) and, namely in acquisitions where it is economically viable and effective;
- Optimise the System of logistical support to analyse concept and development, for the duration of the military materiel needs;
- Assess and plan the required capabilities for the life-cycle of military materiel, in all functional areas.\(^5\) Put forward proposals for a system of logistical support and its optimisation throughout the life-cycle, including means of operation, maintenance, training and education, and decommissioning from the inventory),
- Advance the responsibility of suppliers for quality and the certification of products, while abiding by the law\(^5\) and NATO standards.\(^5\)

The above-mentioned measures for implementing these goals are part of the prepared departmental regulation on project management in the MoD CR.

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\(4\) Czech Defence Standard 051662, 2\(^{nd}\) edition, AAP-20, Ed. 2 (Phased Armaments Programming System / PAPS); Life – Cycle stages: the concept stage, the development stage, the production stage, the utilisation and support stage, and the retirement stage. (AAP-20, Phased Armaments Programming System (PAPS) Edition 2 – February 2010), Czech Defence Standard 051655, AAP-48, (NATO SLCM – System Life – Cycle Stages and Processes);


\(6\) RTO-TR-SAS-054, Annex D – Life – Cycle Costing Definitions;

\(7\) NATO Support and Procurement Organisation, (C-MG(2015)0047, The Charter of NATO Support and Procurement Organisation / NSPO);

\(8\) Section 191, para 2, letter f) and g), Act No. 134/2016 Coll., on Public Procurement;

\(9\) Methodology DOTMLPFI NATO (Doctrine, Organization, Training, Material, Leadership, Personnel, Facilities, Interoperability).

\(10\) Act no. 309/2000 Coll., on Defence Standardisation, Codification and Government Quality Assurance of National Defence Products and Services and on the Amendment to the of the Trade law;

\(11\) AQAP 100 NATO Policy on an Integrated Systems Approach to Quality through the Life – Cycle.
I.1.1 Setting out the system of market research

Market research in the armaments process is used as one of crucial instruments to determine the time frame, costs, performance indicators (functional characteristics, technological-organisational indicators) and the degree of logistical support while deciding on ways to fulfil target operational capabilities. In order to implement the goal, the Ministry sets the following measures:

- Create a new system of market research,
- Set up communication with the defence industry and market research companies for all stages of the Life – Cycle;
- Create and maintain an up-to-date overview of the manufacturing and technological capabilities of the defence industry to support the decision-making on acquisition needs and solutions;
- Minimise the project risks (market analysis, studies, simulation, a balanced specification selection);
- Making use of available products and services;
- Abandon specific and non-essential constructional requirements where possible.

The above-mentioned measures for the implementation of the goal are worked out in the prepared departmental regulation on market research.

I.1.2 Setting out conditions for the procurement of military materiel via the G2G format

The Ministry supports the execution of contracts between governments, which allows for setting up long-term cooperation and ensures the operation, maintenance and supply of spare parts throughout the Life – Cycle of military equipment. A government-to-government contract creates for the Ministry conditions to gain experience with using military equipment of the given country, including the verification of technical and military parameters in advance of executing the contract, and experience with training and combat deployment. This significantly lowers the cost of the operation and its maintenance over the following period and ensures interoperability, the fulfillment of NATO standards, and the guarantee of quality assurance by the government in question.

With military equipment which has not yet been utilised, the cooperation between governments allows access into a mutual development project, with the possibility of increased sales for the domestic customer. The customer in turn, benefits from discounts because there is more than one state, and at the same time also helps to spread the development costs. Ensuring interoperability and standardisation is therefore essential.

To achieve the AFCR capabilities, the exception from the directive 2009/81/EC is used, which allows for the procurement of military materiel in the G2G format in contracts concerning the implementation of decisive (strategic) armaments projects.

Possible procedures for the realisation of contracts via the G2G format:

- Carrying out broader market research from publicly available sources using the experience of NATO and EU Armed Forces, and using innovative equipment and technology;
- Assessment of findings in relation to operational, technical and political requirements, and in fulfilling the requirements necessary to close a future contract on G2G level;
- Addressing governments, using the Request For Information (RFI) procedure in the execution of a targeted research, usually via defence attachés;
- Prospective discussion of conditions and the specification of requirements for the tendering procedure (supply) by expert groups;
- Informing the Czech Government of a public contract placement procedure with a proposal to officially address a government/s in order to place an offer and execute a future G2G agreement;
• Sending a request for placement of offer to a government/s using the Request for Proposal (RFP) of the chosen country, or countries;
• Assessment of offers and closing a contract on a G2G level. The Ministry receives the same contract terms as the participating government. Based on the agreement, the government also entitles the relevant Minister to proceed with the intergovernmental contract under the conditions specified in the agreement.

Procuring military materiel under the G2G format is viewed as an exclusion from the common contract placement process, as per the previously mentioned directive which is restrictive. The aim is not to create unnecessary obstacles which hinders the EU defence industry businesses in conduction non-discriminatory and transparent access to military contracts. According to the European Commission, the G2G procedure is applied mostly for the sale of surplus supplies of military materiel by one public administration to another. Although the European Commission does not rule out the procurement of new military materiel under the G2G format, it does however specify that the selling procedure must proceed in line with the 2009/81/EC directive (i.e. it must call for tender), or use the option for the purchase of further materiel stipulated in the already-existing contract executed with a specific supplier by the state in question.

I.2 Implementation of EU directives on public procurement

I.2.1 Implementation of EU directives 2009/81/EC and 2014/24/EU on public procurement and Act no. 134/2016 Coll. – a departmental regulation on public procurement

In order to increase the transparency and openness of the European market with regard to defence and security materiel, and remove some discriminatory elements, the EU 2009/81/EC Directive introduces a single set of rules for the procurement of military materiel. The directive even allows for the use of exclusions, namely, in the case of public contracts awarded according to international rules, contracts between two governments or, last but not least, contracts awarded in accordance to Article 346 of the TFEU. The procedure for procuring military materiel and services using Article 346 of TFEU is described in article I. 2.4.

The EU directive for intra-community transfers is another clause which enables the establishment of fair internal market conditions in the EU.

The contract placement must adhere to developments in the national as well as international legal framework, react appropriately to the dynamics of the defence market and new forms of contract placement. The Czech Republic is committed to respecting these EU principles when procuring military materiel.

In order to implement the specific goals, the Ministry sets out the following measures:
• Non-discrimination upon contract placement depending on the corporation’s place of business within the EU;
• Ensure equal and fair conditions for suppliers;
• Guarantee transparency during the process of contract placement;
• Mutually respect national documentation, administration and norms among EU member states;

54 as per article 13 letter f) Directive of the European Parliament and Council 2009/81/EC on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC;
55 Directive of the European Parliament and Council 2009/43/EC, from 6 May 2009, on simplifying terms and conditions of transfers of defence-related products within the Community;
I.2.2 Implementation of steps necessary and the EU / EDA directive in order to ensure the security of supply

The security of supply is based on well-functioning markets and a competitive economy. The markets themselves, however, may not always be sufficiently buoyant to maintain the basic economic and other critical functions of a production (supplier) company during a time of sudden disruption, a state of emergency, or other exceptional circumstances. The security of supply may then only be partially accomplished via reserves. For this reason, various measures to ensure the security of supply are being adopted to ensure the continuity of the national critical infrastructure and services in all circumstances.

Some suppliers can have a significant impact on achieving and maintaining the sovereignty of requirements, which is why it is necessary to take steps towards the protection of aspects of the capabilities which suppliers provide and which are essential to the security of the state. Act No. 134/2016 Coll., on public contract placement, allows for the stipulation in the tender specifications where documents or statements from the Czech Republic or relevant authority should be presented confirming that the entity involved in the tender process can and will fully carry out their obligations concerning the import and/or export and the transfer and transit of the products listed in the contract for the life-cycle of these products.

Furthermore, they will ensure the maintenance, modernisation or adjustments of supplies as specified in the contract and that they will provide information regarding any changes in their organisation, their suppliers or production strategy which could impact the operation, maintenance and repairs of military materiel.

Awarding a contract for military materiel in a foreign country can lead to a weakening of the domestic industrial base necessary for the defence of the state. If such an order placement clearly disrupts the security of supply then aspects of economic efficiency can be subordinated to the principle of ensuring the long-term defensive capacity of the state. In this case, it is possible to exceptionally curb the measures taken for economic competition and fulfill the contract by justifiably evoking Article 346 of the TFEU in order to guarantee the security of supply for a specific platform, and ensure the capability of maintenance in the Czech Republic or the sovereign demands on the capabilities of the Czech Republic.

The security of supply includes development and direct industrial production in key sectors (ammunition, infantry arms, production, maintenance and reparations of ground equipment – armoured tracked and wheeled equipment, military off-road vehicles and trucks, radar technology and passive surveillance systems, communication technology, systems of radio-electronic warfare and defence against weapons of mass destruction, intelligence systems, aviation technology, simulation technology, instructors and training devices, protection systems against improvised explosive devices, specialised containers). This includes national production and maintenance capacities to ensure the Life – Cycle of military materiel and systems procured abroad.

The strategic state enterprises of the defence industry, established and directly controlled by the Ministry, play a key role in ensuring the security of supply for the Life – Cycle of military materiel.

I.2.3 Key technologies for providing the state’s essential security interests and the capabilities of the Czech defence industry

Maintaining key national technologies for the defence industry is considered a fundamental issue ensuring the necessary military capabilities and security of supply. The Ministry must provide and develop these key technologies, capabilities and systems essential to national security interests.

The land equipment of the Armed Forces is supported by the following systems: key technologies and systems for the production, maintenance and modernisation of armoured vehicles, special transport technology, command and control systems and information technologies, generation of operational stocks and the production of small arms and ammunition for states of emergency, fire support and direct fire support systems, night vision and optical systems, engineering bridges and special engineering materiel, construction and earthmoving machinery, protection systems against weapons of mass destruction and explosives.

Technologies include capacities and systems which support the Air Force in the operation and maintenance of air defence systems, supersonic and subsonic aircraft, transport aircraft, helicopters of all types, unmanned aerial vehicles, air defence missile system, radar systems, missile defence systems and strategic lift systems.

The Special Forces are supported in the maintenance and modernisation of special capabilities.
I.2.4 Setting out the conditions for implementing the measures to protect the technology assets of Czech manufacturers in order to ensure the essential security interests of the Czech Republic in accordance with article 346 of the TFEU

The TFEU is of fundamental importance in determining the rules of procurement of military materiel and services. The TFEU determines conditions when applying exceptions where the protection of classified information and important security interests of the state are concerned. Article 346 of the TFEU is the most important exception in defence and security contract placements.

If article 346 of the TFEU is used, the member state must be able to prove that the specific measures to be taken are necessary, and adequate for the defence of the fundamental security interests of the state, and that they do not go beyond the limits of what is absolutely necessary to attain their goal. The burden of proving that such conditions have been met lies upon the member states.

To evoke article 346 1(b) of the TFEU, requires that the EU member state assesses each contract individually and then specify whether or not the conditions for granting an exception have been met. They should verify the following:
1. What is an essential security interest?
2. What is the connection between a security interest and a contract?
3. How could EU rules jeopardise substantial security interest?

Based on the current status of the judicial decisions of the EU, it appears that it remains permissible to directly procure military materiel from national manufacturers in order to maintain viability and ensure competitiveness of a national producer (support of national defence industry) as an indispensable part of protecting the crucial security interests of the state.

The procedures followed in applying for the exceptions from TFEU rules and the Defence Procurement Directive 2009/81/EC are subject to MoD regulations.

The Ministry assesses the application for exceptions in Article 346 TFEU on a case-by-case basis, and a decision transmitted to the procurement case agent/strategist without delay. It requires a clear rationale for applying the article if it means extracting the case in its entirety from the Directive 2009/81/EC, e.g., strict requirements for security of supply, and for important state sovereignty reasons.

In each case, the Ministry should prove why the application of Directive 2009/81/EC is not sufficient to protect its security interests and represents the least restrictive means available to achieve that protection.

I.3 Cooperation and Interoperability in Armaments

I.3.1 Development of bilateral and multinational cooperation in armaments

Given the limited size of the domestic market in defence and security materiel, bilateral and multinational cooperation is necessary and advantageous to the development, manufacturing and maintenance of military materiel, product quality, price range, and interoperability.

In order to implement this strategic goal, the Ministry defines the following measures:

- Increase transparency and the timely exchange of information on armaments plans with foreign partners interested in acquisitions coordination;
Identify the possibility of multinational/bilateral cooperation via NATO and the EU and as part of bilateral and multilateral talks;

Use the opportunity of procuring materiel via the G2G format;

and by using foreign aid programs (FMF/FMS);

Involve the defence industry in the primary stages of multinational/bilateral projects, thereby developing the potential for international industrial cooperation;

Increase the level of interoperability in favour of deployment and sustainability in line with NATO standards;

Secure the implementation of NATO and EU standards and their transposition into Czech defence standards.

The above-mentioned measures for the implementation of this goal are carried out by the Ministry through following its departmental regulations on market research and on armaments project management, and apply them in the preparation and publication of Czech defence standards in accordance to the NATO AAP 48 directive – NATO System Life – Cycle Stages and Processes.

I.3.2 Implementation of the rules of the European Union in the procurement of military materiel and services in the MoD CR

In line with the TFEU, the CR has pledged to uphold an honest, transparent and open-minded code of behaviour while procuring military materiel. In order to achieved this goal, the Ministry sets out the following measures:

- Ensure the implementation of binding TFEU rules on placing public contracts, which comprises:
  - Non-discrimination based on nationality;
  - Ensuring equal and impartial conditions in of suppliers’ participation.
  - Transparency in contract placement procedures;
  - Awareness of national documents and standards among EU Members States;
  - Proportionality of measures, i.e. the adequateness of the contracting authority’s requirement.

I.3.3 Coordination of procedures for public contract placement according to the European Union directives

The EU seeks to strengthen European collective defence in order to meet the challenges of the 21st century. This aim is fulfilled notably through the support of the Member States’ endeavours to enhance defence capabilities within the framework of the Common Defence and Security Policy, which cannot manage without the creation of a transparent internal defence and security equipment market and the enhanced competitiveness of the European Defence Technology and Industrial Base.

The European Commission (EC), together with the European Defence Agency (EDA), formulate policies and tools designed to give broader access to small and medium sized enterprises of the defence and security equipment market, strengthen standardisation and certification, increase mutual trust in the security of supply, and access key technology in order to ensure operational sovereignty.
Goal II – Realisation of armaments projects in accordance with CAFDC 2025 and AFCR Concepts

The CAFDC 2025 is the key strategic document for the Czech Armed Forces, which sets the scope and manner of achieving the specifically identified capabilities necessary for political-military ambitions, missions and obligations of the Czech Armed Forces up to the end of 2025. The identified capabilities are developed and incorporated into specific projects reaching the milestone of 2020 and 2025. Additional capability requirements are defined under the Concepts of the Armed Forces of the Czech Republic.

The CAFDC 2025 projects are also further developed in subordinate concepts and policies, particularly in the Czech Armed Forces Mobilisation Concept, The State Territory Operational Readiness Concept, the Long-term Acquisition Intent 2030, the Mid-term and Acquisition Plan. The MoD AAD’s mission is to begin timely market research a support the preparation of key armaments projects early on. With respect to user representatives, documentation should be drawn up to secure program financing, and the contract specifications set out regarding the approaches and methods as defined under Goal I.

II.1 CAFDC Armaments projects first milestone of 2020

From the perspective of armaments projects, the first milestone will focus on replacing military equipment at the end of its Life – Cycle, and replenishing operational reserves.

II.2 Armaments projects of the CAFDC second milestone 2025

The armaments projects of the second milestone will focus on modernising existing equipment and replacing equipment based on the termination of service life.

Goal III – Support and development of planning acquisitions and training of personnel to manage armaments stability

In order to support the development of the Czech Armed Forces, the Ministry institutes a planning system whose goal is to achieve integration at all levels of management using the goal based management system.

III.1 Acquisition planning system setting

III.1.1 Development of the long-term acquisition planning system

- Long-term acquisition planning focuses on development and innovation projects and strategic armaments projects, and whose endorsement is subject to Government approval.
- Since 2016, the Ministry has been developing the Long-term Acquisition Intent document, which summarises intended priority acquisition projects. The document is primarily designed to give the Ministry’s planning authorities an early overview of future long-term acquisition projects, which address the future capability needs Czech the Armed Forces and which should speed up and improve the individual phases of the acquisition process.
- The overview of the acquisition needs of the Ministry, as stated in the Long-term Intent, is in the form of a support document and is not intended as a planning document; it represents only the basic guidance for long-term planning, specifically for the inclusion into future acquisition projects or into mid-term plans with current resourcing options.

III.1.2 Optimisation of medium term acquisition planning

- Following a completed audit and analyses report, the Ministry is in the process of developing a systemic solution designed to redress the current status of planning processes, budgeting and contract realisation. The proposal envisions the optimisation and integration of processes, proposed regulation to support the information technology process and preparations for their practical implementation.
- The mid-term planning process in armaments needs to focus on projects designed to maintain and develop the capabilities of the Czech Armed Forces. Within the framework of planning and budgeting optimisation, a progressive transition to the new system is planned for the 2018-2022 planning period.

III.1.3 Review and optimisation of short-term acquisition planning

- Within the planning process infrastructure, the Ministry will introduce a short – term acquisition planning system, which covers a period of three years. Short-term acquisition planning will be part of the planning process and will be integrated into the budget and the budgetary outlook.
III.2 Personnel training for armaments project management

III.2.1 Organisation and provision of specialised courses for project management

Personnel development. The fundamental prerequisite for achieving the goals of the Strategy is having qualified personnel with expertise in the management of national as well as international armaments projects. People are the fundamental building block of all organisations, and personnel training therefore one of the most important motivating factors. The Ministry is responsible for the expertise of project managers and acquisition officers. This primarily involves providing a high level of expertise in project management, Life-Cycle management, acquisition process, adequate first-hand knowledge of the relevant structures and processes in NATO, the EU and V4. For this purpose, the Ministry makes use of both national and international education activities.

III.2.2 Certification of course graduates according to the National Qualification System

The Ministry organises and provides specialist project management courses and certification of course graduates in accordance with the National Qualification System which recognises completion of additional education (Act No. 179/2006 Coll.), the international standards for project management in relation to Czech defence standards and Czech technical standards.61

V.3 Goals of the defence industry’s development support framework.

In order to fulfil the vision of the strategy and the global goal of the strategy development of the Czech defence industry, the following goals are defined:

I. Ensure the sustainability and development of the industrial capabilities of the Czech Republic’s defence industry, Methods

- Expert support to the Czech defence industry in international markets;
- Policy of supporting the Czech defence industry at EU and NATO level;
- Support competitiveness and innovations in the Czech defence industry;
- Use of the economic mobilisation system of planned and provided measures before a state of emergency in its transition stage and during the emergency.

II. Creating the security of supply system.

Methods

- Define the levels of security of supply;
- Setting out the process of the security of supply system;
- Integration of peacetime acquisition into that of a state of emergency Achieving Goal I is possible only with on complete fulfillment of Goal II. In order to achieve the security of supply, the key prerequisite is to maintain the existing competitiveness of defence industrial capabilities, or develop those capacities where it is needed in order to ensure the security of supply. In defining the objectives and specific measures for the

61 That primarily involves: IPMA (International Project Management Association), PMI (Project Management Institute), PRINCE 2 (Projects in Controlled Environment) and PMA (Project Management Academy), ČS ISO 10 006 (Systems Life-Cycle stages and processes), ČSN ISO 10 007 (Quality management systems – configuration management directive), ČSN ISO 31 000 Risk management – principles and directives.)
fulfillment the goals, the Strategy reflects the integration of security of supply, the necessity for continuous innovation and development of defence technologies and the need for the provision of technology and financial resources for such development both at home and abroad.\textsuperscript{62}

The matrix for strategic goals in support of the development of the Czech defence industry

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\textsuperscript{62} Detailed and measurable objectives in individual years are developed continuously in separate implementing documents with relevant security classification level.

\textsuperscript{63} Defence Attaché Offices (DAO) are an integral part of Czech Embassies. In conformity with effective agreement between MoD/MFA, the DAOs cooperate and coordinate partially its activities with the head of the diplomatic mission.
V.4 Implementation of the goals for Czech defence industry development support

Goal I – Ensuring the sustainability of the development of the defence industrial capabilities of the Czech defence industry

The worsening of the global security situation increases the risk that a dependency on foreign defence suppliers, during a crisis situation, will lead to a decrease or loss of national defence capabilities as a result of not delivering the necessary technology requirements. This points to the need to define the measures needed to maximise security of supply which is only possible by developing capabilities in the domestic defence industry as laid out in the Czech Armed Forces Development Concept 2025 and, subsequently, in the Concept of the Armed Forces of the Czech Republic. This requires requisite technology and funding resources which are, however, not sufficient for the domestic market. The extent of domestic supply or the defence budget allocation, as well as the budgets for defence research, development and innovation are limited, which, in turn, will restrict the defence industry in many domains from investing in the research, development, innovations and new production capabilities. In many cases, these resources do not allow for the retention of existing capabilities, which can lead to a further loss in defence industrial capability. Thus, it is necessary to seek financial as well as technology resources abroad.

The role of the state is indispensable for setting the licensing procedure rules for trading in military materiel or dual technology, and the necessary political support in contract placement. Such defence contracts strengthen or encourage a whole new level of foreign policy and defence relations between the supplier and customer. As a result of its support, the Ministry can target the traditional markets for Czech defence export to Asia, Africa and Latin America, as well as creating a good environment for the Czech manufacturers in the EU Member States and NATO nations.

Concerning technology resources which include the acquisition of new patents, knowledge and capabilities from foreign partners, the Ministry primarily supports technology transfer into the Czech Republic and the involvement of the Czech defence industry in international NATO and EU projects and international supply chains. The strategy defines three basic sets of measures:

- Domestic tools for supporting exports;
- Tools to support cooperation at a NATO and EU level;
- Tools supporting competitiveness and innovation.

I.1. Expert support to the Czech defence industry in foreign markets

I.1.1. Expert components to support defence industrial cooperation

- In 2014, the Ministry established a dedicated Division of Industrial Cooperation and Defence Organisations Management whose mission is to support the Czech defence industry and coordinate defence industrial cooperation with foreign entities; perform the role of the founder of strategic state enterprises and manage defence applied research, development and innovation projects. To accomplish defence industrial cooperation assignments, the MoD Division closely cooperates with the Ministry of Foreign Affairs and the Ministry of Industry and Trade and provides expert support to the national defence industry in foreign markets.
- The Ministry develops and administers the GEOMIP Geographical Information Portal which determines the potential in individual markets, and identifies opportunities for national defence industries using internationally proven econometric of security, technology and economic methodologies, as well as data and qualitative data on the specificities of foreign markets and business proceedings. In the gathering and evaluation of data, the Ministry closely cooperates with the Ministry of Industry and Trade and the Ministry of Foreign Affairs; they jointly create a trilateral working group tasked in defining the framework conditions for defence industrial cooperation in territories of interest.
- The Ministry proposes areas of interest and international cooperation projects to the Defence and Security Association of the Czech Republic (DSIA) in line with the agreement on mutual cooperation between the Ministry of Defence of the Czech Republic and the DSIA. The Ministry runs annual assessments of the performance of the Agreement and informs the Czech Government.

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64 One of the major identified threats for the CAF is “Loss of key industrial capabilities with impact on ensuring the Czech Republic’s substantial security interests.” See CAFDC 2025, p. 10. At http://www.mocr.army.cz/images/id_40001_50000/46088/KVA__R_ve__epn__verze.pdf.
I.1.2 Involvement of defence attachés and defence advisors in the support of defence industrial cooperation

- Defence, army and air attachés carry out priority military diplomacy activities in foreign countries. At the same time they provide, as military experts, substantial assistance to defence industrial cooperation and the Czech defence industry in their host countries. They are instructed by the Ministry and work in full cooperation with Czech Embassies in the respective countries.

- Ministry of Defence advisors carry out similar activities in EU and NATO institutions and during other foreign assignments. The MoD also posts defence advisors in other territories of interest whose primary focus is defence industrial cooperation and support of Czech defence industry in territories of interest. These advisors support the Czech defence industry by accessing local markets in the relevant countries. They participate in relevant meetings and act as consultants. They actively seek concrete opportunities for the Czech industry in either direct export trade for the local armed forces or integrating Czech production into the local supply chains.

I.1.3 Initiating the MoD defence industrial cooperation with foreign partners

- In cooperation with the Ministry of Foreign Affairs, along with a network of Embassies and in accordance with the international commitments of the Czech Republic and the Government’s foreign policy priorities, the Ministry proposes, and enters into, memorandums of cooperation with foreign partner Ministries to promote defence industry cooperation, defence research and development. It takes part in bilateral working groups focused on strengthening long-term defence industrial cooperation, cooperates on defence technology and training programmes, and fulfils joint projects.

- In cooperation with the Ministry of Foreign Affairs and in accordance with international commitments of the Czech Republic and the Government’s foreign policy priorities, the Ministry makes use of those procedures and platforms to target opportunities in foreign markets. It negotiates sponsors and supports the direct support of Czech defence industries in these official platforms. In doing so, the Ministry both strengthens relations with the partner state and enables direct access to foreign users.

I.1.4 Expert foreign missions, business missions and official visits abroad

- The Ministry cooperates with the DSIA CR to organise defence industry business missions as part of official MoD delegations, which include Czech Armed Forces representatives as well experts in the defence industry of foreign markets. Likewise, the MoD supports the Czech defence industry when participating in foreign exhibitions and defence shows in territories of interest to the Czech Republic.

- The Ministry cooperates, engages and participates in the economic diplomacy projects of the Ministry of Foreign Affairs which are designed to promote the Czech defence industry abroad. In cooperation with the MFA, MIT and the DSIA, it organises defence and security industry days in foreign countries with the aim of connecting foreign partners with Czech manufacturers and support Czech products in the local markets. The Ministry also performs targeted foreign missions in support of specific defence industry projects.

I.1.5 Missions for foreign partners in the Czech Republic

- In close cooperation with the DSIA CR and the MFA, the Ministry organises comprehensive missions for the representatives of partner countries, their MoDs and armed forces. During those visits, the Ministry presents
products manufactured by its national defence industry, shares its experience of their use by the Czech Armed Forces and the potential benefit to foreign partners. Together with the DSIA CR, the Ministry organises visits to the industry’s production and, where possible, organises trips to military installations for demonstrations of defence technology used by the Czech Armed Forces.

I.1.6 Industry days and support for business to business

- The Ministry organises country-wide thematic or industry days to present the capabilities of the Czech defence industry to international partners by providing forums for B2B interactions between domestic and foreign defence industries, in the form of industry days, or as part of foreign bilateral talks of joint committees on industrial cooperation. The Ministry thus facilitates cooperation between the national industries and the prime contractors from partner nations.
- In the case of strategic foreign partners, the Ministry organises industrial days on a regular basis and coordinates the development of joint defence projects.
- The Ministry holds specially focused conferences, exhibitions, round tables and discussions for representatives of the Government and Parliament of the Czech Republic, representatives of defence industries, Government Ministries, armed forces and security services and experts from the academia world.

I.1.7 Support in international markets by Government to Government transactions

- G2G (Government to Government) defence industry contracts are another method of realising standard defence acquisitions. Many partner states regard G2G contracts as the preferred, if not required, style of business. These types of contract grants the buying state a higher level of certainty and guarantee of quality, since the seller is the partner government or an entity under the government’s direct control. From the perspective of the supplier state, the G2G format is a tool to strengthen its relation with foreign partners and keep defence export under strict supervision. The G2G model also often represents the only viable way of contracting when it comes to financing exports.
- A range of NATO and EU member states have established dedicated agencies for G2G contracts, either under the remit of Defence Ministries or Ministries of Trade. The Czech Republic does not have such a dedicated institutional system, nevertheless, it uses the strategic state enterprises established and directly controlled by the Czech Ministry of Defence, specifically the VOP CZ, s.p. state enterprise in the execution of G2G contracts.
- In cooperation with the VOP CZ state enterprise, the Ministry can negotiate and realise G2G supplier contracts with foreign partners. When carrying out these contracts, the Ministry adheres to the framework of the export and trade institutions of the Ministry of Foreign Affairs, Ministry of Industry and Trade, the Czech Export Bank and the Export Guarantee and Insurance Corporation (EGAP), which serves to ensure the continued development of the G2G system.

I.2 Defence industry support policy on a NATO and EU level

I.2.1 Coordinated approach to the development of the Czech defence industry on a NATO and EU level

- The NATO framework forms the key pillar of the Czech Republic’s security policy. The NATO structures and mechanisms determine standards of interoperability among Allies, define requirements for the capabilities of NATO nations’ armed forces and initiate and support development of key defence technologies on a NATO level in cooperation with the Czech defence industry.
- The European Union creates and supervises the European legal framework to include, in order to fulfil defence acquisitions, the Union defence technology transfer systems which provide tools for the support of research,
I.2.4 Creating a European and Transatlantic industrial cooperation framework

The Ministry's access to defence industrial activities on an EU level is based on the principle of non-duplication between EU and NATO.

Together with the DSIA of the Czech Republic, the Ministry works toward the appropriate use of the existing union tools in the Czech Republic. By creating new tools, the Ministry ensures the specific nature of the Czech defence industry as well respecting the defence and security sector. The Ministry has actively used available options within the framework of EU institutions to promote and defend its interests as well as maintain and develop the Czech defence industry.

I.2.2 Elimination of obstacles inhibiting the involvement of small and medium sized enterprises (SMEs) in international supply chains

- The long-term priority of the Czech Republic on EU level is to maintain the observance of the regulation on transfers of military materiel within the EU. The Ministry thoroughly monitors the observance of transit regulations or reports of their violation. In cooperation with the Government Offices, the MFA and MIT, the Ministry is committed to providing a level playing field during transfer procedure, which include industrial procedures with non-discriminating harmonised export conditions in all EU states.
- The Czech defence industry is largely dependent on the supply chains it establishes with Partners and direct suppliers, primarily from European states. The Ministry supports such regulation within the EU framework for subcontracting competition which, in turn, reduces the administrative burden as well as the risks for entities involved, and contributes to its more frequent use across EU Member States.

I.2.3 Rational transposition and application of the EC Defence Procurement Directive

- Within the European regulation framework, defence procurement focuses on rationalising and managing the impacts of current unsatisfactory practices associated primarily with the non-harmonised use of the procurement directive and providing only a partial solution to market distortions.
- Together with the MRD, MIT and MFA, the Ministry seeks a similar domestic application of the European rules (transposition of the transfer directive and the Defence Procurement Directive), which does not hamper the Czech defence industry and enables the effective performance of the government. The Ministry's attitude on the issuance of new recommendations by the European Commission on procurement is reserved. The Ministry interprets the existing procedures in a non-restrictive manner. With regards to the interpretation of exceptions from EU general rules, the Ministry takes a restrictive approach.
- In order to protect the basic interests of national security, the security of supply and maintain key defence industrial capabilities, the Ministry uses exceptions from Article 346 TFEU and is committed to the transparent use of that Article within the EU while, at the same time, respecting the similar interests of other Member States.

I.2.4 Creating a European and Transatlantic industrial cooperation framework

- On an EU institutional level, the Czech Republic cooperates on shaping the mechanisms to guarantee security of supply. Should there be an EU-wide regime of security of supply, it must guarantee the continuous supply of military materiel and services to the armed forces of EU Member States, including supplies for maintenance and service in peacetime and in crises. Those member states should maintain the ability to defend themselves. The Czech Republic is committed to building a regime that is sustainable, accessible and non-discriminatory, while respecting the national security interests as well in the divergence of its players, especially the smaller Member States. The "European" approach did not always reflect Czech interests in the past.

- Developing a truly balanced and widely-capable EDTIB is another top priority for the Ministry. Geographically, the Ministry works towards reflecting regional specificities of defence industries in Central and Eastern Europe in all areas of EU activities.

- In a systemic aspect to a balanced and diverse EDTIB, the Ministry is committed to the deeper involvement of the Czech defence industry, whose entities hold the position of subcontractor dealing in cross-border supply chains. Small and medium sized enterprises, which make up a majority of the Czech defence industry, are

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innovation incubators and, therefore, specific tools are needed to support them. For this reason, the Ministry supports positive initiatives by the EC and EDA in backing small and medium-sized enterprises.

- **The Ministry supports the Czech defence industry in initiating and developing contacts with direct suppliers and in building supplier consortia.** These often originate from discussion forums in NATO and the EDA. The Ministry supports the participation of experts from Czech defence industries in relevant working meetings and events designed for B2B interaction in those organisations. **The participation of the Ministry of Industry and Trade in international capability building projects** (including research and development) has considerable advantages, primarily an improvement of conditions for force interoperability, better conditions for the security of supply, improve the position of the Czech defence industry and that of the Czech Republic as a supplier state, know-how in capital flow and conditions.

- In conjunction with the DSIA CR, the Ministry supports the participation of representatives of the Czech defence industry (specialists) in NATO Transformation Seminars and Industrial Days which are organised by specialised NATO agencies (e.g. NSPA) or those associated with various military demonstrations or exercises.

- The Ministry, meanwhile, continues to support the active engagement of the Czech science and industry representatives in informal discussions, within the framework of the CNAD to involve the industry in NATO’s planning procedures and activities within the FNIE, and pursue the goals of the implementation matrix.

## I.3 Support the competitiveness and innovations of the Czech defence industry

### I.3.1 Innovation policy and technology platforms

- In an effort to deliver the Defence applied research, development and innovation concepts up to 2022, the Ministry establishes technology platforms for individual areas of key technology. This creates expert forums in which the representatives of the AFCR, Ministries, military and civilian academics, as well as technical experts from individual ministerial state enterprises and the Czech defence industry discuss the aims of defence technology development and recommend suitable technology solutions. This in turn generates interaction among and feedback from the Czech defence industry, academic institutions, armed forces and security services, which serves to bring about better and more effective investment targeting by the State and industry into national defence capability innovations. The involvement of these institutions encourages cooperation and closer ties between the research environment and the application process. Altogether, this contributes toward a more competitive Czech defence industry.

- The Ministry creates the network for scientific and research cooperation among ministerial research organisations, civilian academic institutions and research infrastructures. The goal is to concentrate national expertise on more complex areas in the interest of fulfilling the priorities of defence applied research and its development. This expertise is utilised to fulfil ministerial defence research and development projects, while the Ministry creates, through its established strategic state enterprises and in cooperation with the Czech defence industry, the conditions to apply and commercialise on the results of such research and development projects.

### I.3.2 Support of small and medium-sized enterprises.

- Given the structure of the Czech defence industry, the Ministry specifically focuses on small and medium-sized enterprises with the objective of eliminating obstacles in international supply chains process. Small and medium-sized enterprises are essential in retaining the key specific industrial capabilities and they fulfil their crucial role in the employment sector. **One of the tools used is the formation of technology clusters, in cooperation with enterprises of the defence industry, which serve to concentrate and combine the innovation capabilities of small and medium-sized enterprises with the research and development initiatives of the Ministry.**

### I.3.3 Innovation support through ESIF, HORIZON 2020 and preparations undertaken to support the CSDP/PADR

- The ESIF and community programs open up excellent opportunities to draw support from external resources, and develop closer cooperation with universities on research, development and education for the next generation of specialised experts. Although defence technology is not directly eligible for ESIF support, opportunities do open up for the unique financing in the development of dual technology for civilian purposes, and is also applicable for defence purposes, and the increasing competitiveness of the defence industry. The European Council identified this approach in December 2013 as a priority and, subsequently, the EDA began their education programmes to target the Member States by developing concise methodologies.

- The Ministry, through the MoD Industrial Cooperation and Organisations Management Division, provides assistance to the Czech defence industry in obtaining funds to increase competitiveness and innovation. Additionally, it cooperates with the DSIA of the CR and educational institutions, and supports the preparation of projects designed to improve professional qualifications in order to prevent the understaffing of defence maintenance and development staff. The Ministry also cooperates with the Czech Ministry of Regional Development, the Ministry of Education, the Ministry of Industry and Trade, and the European Union, the EC and the EDA.

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65 Common Security and Defence Policy / Preparatory Action on Defence-related Research.
66 European Structural Funds for Dual-use Technology Projects.
Goal II – Setting up the security of supply system

Neither the European nor the global defence market provides the necessary guarantees for security of supply of defence materiel. To ensure the basic capabilities of the AFCR, the Ministry maintains industrial capacity to guarantee the supplies of defence materiel and services, or, alternatively, seeks to restore the capacities which have been lost or neglected. The Ministry supports the industry’s capability to provide defence materiel, albeit in limited amounts and range, in the event of loss of supplies from foreign countries.

In order to provide the security of supply of defence materiel, the Ministry regards the essential security interests of the state as the fundamental pillar for ensuring national defence capability. The Ministry’s definition of the state’s security interests is always provable and unambiguous, and creates the legal rationale for the application of exceptions for acquisition procedures from Union regulations and directives.

The principles of the development of the AFCR and its key operational capabilities are developed under the Czech Armed Forces Development Concept 2025. The concept envisons the peacetime structure of the AFCR with a quick build-up of personnel, equipment and materiel in the event of the mobilisation of AFCR. By defining and ensuring the state’s security interests, the Ministry eliminates the threat of reducing the capabilities of the AFCR because of a lack of defence materiel. At the same time, the Ministry cooperates with the MIT and with the State Material Reserves Administration (SMRA) to evaluate conditions to ensure the raw materials necessary for key defence industries, including support for creating suitable demographic conditions to ensure its effectiveness.

II.1 Determining the tiers of security of supply

By setting out the domestic production capabilities and the set of legal measures within the framework of the process of acquisition of defence materiel, the Ministry ensures the necessary levels for equipping the AFCR with defence materiel necessary for the performance of national defence duties, and of NATO membership commitments, including aggravated international circumstances.

II.1.1 Strategic characteristics of suppliers

The Ministry defines four tiers of the security of supply from the perspective of the geopolitical characteristics of suppliers. These tiers play a key role in the fundamental acquisition of defence materiel. The purpose of such categorisation is to clearly follow in precedence the different stages of the tier chain, which is based on the principle of guaranteeing the ability and enforceability of supplies from individual suppliers with the view of maintaining the capabilities of AFCR with international capabilities.

Security of supply cooperation is important between the Ministry, other Ministries and central government authorities who are individually responsible for identifying the critical defence infrastructures and for ensuring their use for national defence in cooperation with their owners and operators.

Tier 1:

Industrial production of defence materiel achieved in the Czech Republic by state owned industrial capabilities. The state has full control over the legal structure, information security, the management of the enterprise, as well as the supply chains. From the Ministry’s point of view, state enterprises represent a guarantee for the required stages of the defence materiel life-cycle and a guarantor for the highest security of supply for the AFCR and, therefore, fulfills the role of the strategic supplier. The Ministry performs the role as the founder of the state defence industry enterprises and ensures that Tier 1 provides the industrial capability to accomplish the required life-cycle stage of the AFCR land and air equipment process (critical defence infrastructures mandatory by law).

Tier 2:

Industrial production of defence materiel is achieved in the Czech Republic by private manufacturers/suppliers. The state is not in full control of information security, the legal structure nor the supply chains. The industry is in a position to ensure all the life-cycle stages and, in the event of a crisis, brings together the Tier 1 strategic state defence industry enterprise, and the prime supplier of military materiel with a firm guarantee of security of supply. In order to meet these conditions, Tier 2 industries may perform the role of strategic supplier (for critical defence infrastructures determined by the Government).

Tier 3:

Industrial production of defence materiel takes place in the Czech Republic’s strategic allies’ territories. (Primarily NATO and EU member states). If the level of security of supply is lower; the changes in international

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69 EU Committee on Foreign Affairs – Report on the impact of developments in European defence markets on the security and defence capabilities in Europe, 12 May 2015;
70 Article 346 of the TFEU, Directive 2009/81/EC.
71 Section 6, para 2 of the Act no. 222/1999 Coll., on Ensuring the Defence of the Czech Republic, as amended.
72 VOP CZ, state enterprise; VTÚ, state enterprise; LOM Praha, state enterprise; VVÚ, state enterprise.
73 That tier involves the supplies of military materiel, for whose independent development and possibly production the Czech Republic and its domestic industry does not have sufficient resources and/or capabilities and does not consider obtaining such capabilities because of technology and resource demands being too high;
security situation may increase the risk of the loss of supplies. Therefore, the strategy introduces mechanisms for increasing the security of supply in the key technology areas, including industrial cooperation with the transfer of technology and a guarantee of intergovernmental agreements.

**Tier 4**: Industrial production of defence materiel is carried out by other global suppliers. The security of supply is not guaranteed in any way in the event of an international crisis. To provide for all stages of the Life – Cycle, the transfer of technology for relevant Life – Cycle stages needs to be ensured.

### II.1.2 Defence materiel Life – Cycle stages

Defence materiel Life – Cycle stages in their entirety greatly influence the AFCR defence capabilities. Without ensuring the specific stages of the defence materiel Life – Cycle in the allotted time, quantity and quality, a restriction or reduction of the AFCR capabilities may ensue, with fatal consequences. The defence materiel Life – Cycle is divided into six stages: concept, development, production, utilisation, support and retirement. These stages are further broken-down into.

#### i. Concept stage

The concept stage starts with the development of the long-term outlook for defence, the long-term plan for acquisition needs, and the Czech Armed Forces Development Concept. This is followed by the subordinate development concepts for individual services; analyse the planned and existing capabilities, identify the shortfalls in capabilities, set the minimum capability requirements, including prioritisation, develop options for capability requirements and expected Life – Cycle costs, and determine the necessary size of defence infrastructure and draft the integrated logistic support plan.

#### ii. Development stage

The development stage identifies and specifies the requirements for defence materiel and acquisition needs in order to meet the capability requirements and ensure that defence materiel is produced, supplied, tested, assessed, integrated, operated, supported and decommissioned. At the beginning of the development stage, it is decided whether off-the-shelf defence materiel will be procured, or if it is necessary for further research, development or partial development of defence materiel. This stage of development is a time consuming, resource intensive stage, often backed up by decades of experience and testing. It generates technology know-how and provides documentation (technical conditions) on demonstration and prototype defence materiel.

#### iii. Procurement (production stage)

The stage of procurement (production) begins by drafting documents on the asset production program, project documentation, and asset specifications. This is followed by the order placement processes; draw up documentation on the tendering process, entering into the contract, testing and introduction of the military materiel into use upon signature of contract and, finally, handover stage. In the development of projects, the main focus is on the production and development process of the documentation, specifically in the application of technology and organisational know-how. A key role is played in ensuring the resources are available to ensure the production and supply chain management. For materiel developed in foreign countries, the Ministry requires a transfer of technology and manufacture licenses for agreed upon cases. This stage also involves the provision of the necessary infrastructure, including the conditions for storage, stockpiling and garaging of defence materiel.

#### iv. Utilisation stage

The utilisation stage involves a set of activities to ensure serviceability of the defence materiel. To fulfil this stage, the key is to ensure the continuous supply of spare parts, operating systems, understand the extent of the user’s defence infrastructure needs, and guarantee the availability of maintenance on all required levels. It also involves determining the appropriate qualifications necessary for operators.

#### v. Support stage

The support stage involves the provision of logistic and maintenance services, including deliveries of spare parts and other specific military operating materiel, maintenance, conservation, storage and subsequent preparation before its use, and understand the extent of the user’s defence infrastructure needs. The support stage is
completed upon decommissioning defence materiel and termination of the services of maintenance and support. This may also be further divided into maintenance and modernisation stages.

The maintenance stage\textsuperscript{83} encompasses a set of activities to reduce the effects of physical wear or damage, and to restore the defence materiel to a serviceable condition. It depends on the availability of spare parts, access to production and technology documentation for the required levels of maintenance, on the availability of qualified personnel and a high level of quality management and control. The modernisation stage\textsuperscript{84} is resource intensive and requires comprehensive technical understanding of the defence materiel, or ability to adjust to the current requirements, according to AFCR needs, by further development, production and/or integration with other technologies. Modernisation depends on the availability of production documentation and the possibility of modification.

vi. Retirement stage

The retirement stage involves the development of the medium-term and annual plan of property decommissioning, determining the decommissioning, reuse and disposal of technology, the termination of support services and fulfilling of the decommissioning stage of defence materiel, as well as supporting the potential transfer to other organisational sectors of the state or for re-sale. It is necessary to consider suitability of defence materiel in order to support mobilisation build-up or rearmament of units during mobilisation. A prerequisite for the support of the defence materiel Life – Cycle is the availability expert knowledge of the current status of support in the individual stages. The Ministry continuously supervises the applied terms and conditions of the security of supply and Life – Cycle stages of defence materiel used by the AFCR.

The Ministry seeks to attain, maintain and develop domestic industrial capabilities consistent with the scope of individual Life – Cycle stages. The Ministry’s defence industry and acquisition policy, therefore, follows both the territorial dimension of the provision of security of supply and the origin of critical components (principle of acquisition based on the country of origin), with the view of minimising the impact of changes in the political situation related to ensuring the Life – Cycle of the AFCR defence materiel.

\textsuperscript{83} From the viewpoint of ČOS051655 and AAP-48 the stages are part of the Support stage, and are stated for the purposes of this document as a dedicated stage to the effect of clarifying the links with the industry.
II.2 Process for the security of supply system

II.2.1 Identification of priorities for the security of supply

In terms of industrial capabilities, it is possible to divide the requirements for defence materiel into the following:

1. **Requirements the domestic defence industry is fully able to meet.**
2. **Requirements the domestic industry would potentially be able to meet; it may have** the necessary know-how, but has limited capabilities for funding research, development, innovation and production. The industry should also be in a position to provide for production as well as the required Life – Cycle stages for the provision of licenses
3. **Requirements the domestic defence industry is not able to meet, because it has neither the necessary know-how, technology, nor the production capabilities.**
   The Ministry endeavours to acquire defence materiel through an open bidding process as set out in the EU framework; and only in agreed cases and using the services of the Czech defence industry and the support of the domestic industry for the different phases of the life-cycle.

   **The responsibility of the Ministry to provide defence materiel necessary to AFCR capabilities represents the substantial security interest to the state.** If the domestic producer fulfils the role of the strategic contractor, the Ministry should first use that strategic contractor for solving the acquisition of subject matter materiel.

   Based on the established levels of security supplies and key Life – Cycle stages, the Ministry sets out the priorities for ensuring the overall security of supply of defence materiel as follows:
   - Provide stocks of defence materiel necessary to ensure national defence capability, and conduct military operations in accordance with CAFDC 2025 and AFCR concepts in volumes which adhere to applicable standards. The Ministry regards generating the necessary stockpiles of defence materiel as an integral part of measures necessary to ensure the security of mobilisation and operational stocks for combat activities.
   - Ensure the capabilities and processes of defence materiel by the Czech defence industry.
   - For defence materiel which the Czech defence industry is not in a position to deliver, the ministry will procure defence materiel supplies from foreign suppliers, partners in NATO, the EU or from strategic partner states.

II.2.2 Verification of capacity to deliver defence materiel to ensure AFCR capabilities

The aim of the Ministry’s investigations is to collect sufficient information to verify the industry’s declarati-on attesting to its ability to provide for the Life – Cycle of specific defence materiel. Conditions of Tier 1 and Tier 2 of manufacturers/suppliers ability to meet the required defence materiel Life – Cycle stages are also verified.

**Verification phase I – dialogue with the industry:**

In order to clarify the status of the domestic industry with respect of ensuring supplies of defence materiel, the Ministry enters into dialogue with the industry in order to:

1. **Specify the timing for acquisition:**
   - a. Schedule of development and production, compare to AFCR plans for the acquisition of new equipment.
   - b. Consider the influence of possible external circumstances on the acquisition (natural disasters, international and political situations).
2. **Define the influence of NATO’s standards on technical requirements, necessity of licensing cooperation and their availability (in the event that influence is foreseen).**
3. **Assess legal aspects of acquisition of defence materiel in the advised manner (options for placing contracts with the domestic industry).**
4. **Identifying possibilities for the industry:**
   - a. Those who may be involved in the development, production and continuity of the Life – Cycle.
   - b. Capital possibilities for the industry (and the possibilities of obtaining government grants).
   - c. The industry’s demands for guarantees from the Ministry.
   - d. Production capabilities for ensuring supplies and quality management.
   - e. Servicing capacity to ensure the Life – Cycle.
   - f. Export potential of the defence materiel in question.
5. **Specify the parameters of technical solutions:**
   - a. TTD and setting timeframes to achieve goals (determine the risks).
   - b. Confirm the necessity of some specified requirements by the AFCR (the objective is to eliminate non-standard/redundant requirements).

In order to continue engaging in dialogue with the industry, the Ministry establishes the relevant organisational structures; its mission, to ensure confidentiality of information obtained during discussions, precise archiving of correspondence, specific scheduling for discussions, and confirm dates for further dialogue and decision-making.
At the end of dialogue with the industry, the Ministry will decide whether it will proceed to the verification stage of the manufacturer's/supplier's ability to ensure the specific stages of the Life – Cycle of the materiel in question.

**Verification phase II – setting the scope, manner and objectives for verification of the industry's ability to ensure the stages of the defence materiel Life – Cycle.**

1. **Based on submitted documents, the Ministry verifies:**
   a. The economic stability of the manufacturer/supplier.
   b. Legal structure.
   c. Production capacities for ensuring supplies of defence materiel.
   d. Management system:
      - Quality control;
      - Personnel qualification;
      - Environmental management system;
      - Security management system;
      - Financial management system.

   The aim of the Ministry’s investigations is to ascertain whether the manufacturer/supplier meets these five conditions:
   - Organisational structure is in place and relevant authorities and responsibilities are assigned;
   - Resources available for the quality control system;
   - Defined procedures and processes in place;
   - Has implemented a security system in compliance with the Act No. 412/2005 Coll., on Classified Information and security eligibility

2. **The Ministry will verify whether the documented quality system is functional in practice:**
   a. Verify the company references to ensure the Life – Cycle of the specified defence materiel.
   b. Verify the company's references in their ability to meet the time schedules of the individual stages of the specified defence materiel.

   Based on the information obtained, the Ministry will negotiate a contract for the defence and apply the relevant binding regulations. The aim is to decide whether the Czech defence industry will enter into the contract or proceed in another direction. The decision is taken in accordance with the documented information.

### II.2.3 Terms and conditions for the involvement of domestic suppliers with the security of supply system

To ensure the production of defence materiel, the Ministry cooperates with other Ministries and organisations on maintaining energy and natural resource security as well as of social stability95, the availability of technologies and the necessary measures for creating reliable and effective supply chains.96

In coordination with the SMRA, the Ministry verifies the status of achieving and maintaining the necessary volumes of reserves of natural resources and stocks necessary to ensure the production of defence materiel for the armed forces in the event of a crisis in the outage of natural resources.

The Czech defence industry does not have the necessary capacity and technology portfolio for the production of defence materiel essential for AFCR requirements. In this case, the Ministry will define the areas of production and technologies it regards decisive for national defence and those companies that can create the necessary conditions for their development, as described in Goal I.

To ensure the rapid development in technology, the Ministry cooperates with other relevant Ministries to build up an across-the-board picture of the capabilities of the Czech defence industry in acquiring and supporting progressive technology potential for national defence, as a digression in industrial capabilities could endanger the continuity of the AFCR capabilities.

Where the Ministry purchases defence materiel from other countries in cases when the Czech defence industry is unable to produce or deliver the required defence materiel, the Ministry cooperates with other relevant Ministries on assisting the Czech defence industries in getting involved in Tier 1 and Tier 2 of the support system of Life – Cycles, including the management of manufacturer’s supplies. The aim is to allow dependence on foreign supplier within acceptable limits.

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91 For military aviation, eligibility according to a special legal regulation – Act No. 219/1999 Coll., on the Armed Forces of the Czech Republic;
92 With consideration and use of art. 346 of the TFEU.
93 Based on the Act No. 241/2000 Coll., on Economic Measures for Crisis Situations of the State and on amendment of some acts and the Act No. 97/1993 Coll., on the competence of the state’s material reserves;
94 Energy security primarily represents the ensuring of the necessary capacity of energy sources and the necessary infrastructure for energy distribution;
95 Natural resource security represents the securing of natural resources and infrastructure to ensure the supply of natural resources to manufacturers including the relevant storage and stock generation capacity;
96 Social security is a set of measures by the state in the domain of ensuring social peace, i.e. adequate evaluation of labour, job security, adequate social security, medical care, security of property, stability of the value of money;
97 Including the ensuring of supplying defence industry with electronic components, microchips, semiconductors and additional components that represent for the industry a critical supply chain regulated by the goods and dual use technology export rules;
98 Tier 1 and Tier 2 security of supply and the material Life – Cycle stage 1-5;
99 For example by direct contracting with the state enterprises, requirement for ensuring servicing by the manufacturers/suppliers in the territory of the Czech Republic and the like. The manner of support is detailed in the subsequent documents.
II.2.4 Terms and conditions for the involvement of foreign suppliers in the security of supply systems

In the decision making process of procuring defence materiel from foreign suppliers, the Ministry takes into consideration:

**Conditions in the political economic domain:**
- Options for alternative provision of defence materiel from Tier 1 and Tier 2;
- Manufacturer (country of origin);
- The territory in which production is carried out;
- Possible political restrictions on the supply or its use;
- The method by which relevant supply chains for critical materials are ensured and the components used in the production;
- The production capacity of the manufacturer with focus on the speed in ensuring supplies in the event of a crisis scenario;
- Manner and circumstances (limitations) of transport into the Czech Republic and locations according to AFCR requirements.

**Conditions in the logistic domains:**
- Planned use;
- Service life span indicated by the manufacturer;
- Planned use (training, combat use);
- Manner and conditions of storage,
- Manner and conditions of transport to the units;
- Manner of replenishing, replacement and decommissioning;
- Manner of carrying out servicing and maintenance;
- If a replacement exists for specific military materiel for emergency use to ensure AFCR capabilities, and the availability of replacement.

Depending on the political/economic and logistic situations, the Ministry determines the amount of reserve stocks of spares and ammunition required from foreign suppliers, the determined period of time and the assumed intensity of combat. The reserves will enable the AFCR to perform its missions until supplies are delivered from the suppliers as defined in the commercial, bilateral or multilateral agreements. In conforming to reciprocal agreements signed with partner states, the Ministry considers sharing its reserves of stock.
V.5 Communication activities

The goal of the Ministry in communication activities is to inform the involved parties about the existence, goals and content of the Strategy and its implementation. Selected information is available on the MoD Armaments and Acquisitions Division site, (http://vyzbrojovani.army.cz). Communication with the defence industry is focused on the future activities of the AFCR and plans of the military materiel. Communication is also built up with the academic community in the assessment of scientific possibilities, research, development and innovations, defining the demands on capabilities and assessing the capabilities of the defence industry, anticipated directions of technology development, and the possibilities of dual technology use.

The Ministry communicates with the Czech Parliament and the relevant committees, the Committee for Defence Planning, the National Security Council and the Government on the goals and means of fulfilling armaments contracts.

1. Informing the involved parties and public on approval of the Strategy

<table>
<thead>
<tr>
<th>Goal</th>
<th>Informing the existence and measures of the Strategy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time frame</td>
<td>After approval by the Government.</td>
</tr>
<tr>
<td>Content</td>
<td>Reason for its formulation, main goals and activities of the Strategy, expected costs, benefits and impacts.</td>
</tr>
<tr>
<td>Form</td>
<td>Press releases on the websites of the Ministry.</td>
</tr>
</tbody>
</table>

2. Publishing of the documents relating to the implementation of the Strategy

<table>
<thead>
<tr>
<th>Goal</th>
<th>Transparency of the implementation procedures of the Strategy and information availability for all relevant stakeholders and the public.</th>
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</thead>
<tbody>
<tr>
<td>Time frame</td>
<td>Continual</td>
</tr>
<tr>
<td>Content</td>
<td>Publishing Current Strategy Annual reports on the fulfillment of the Strategy in the previous calendar year Of the relevant implementation results of the individual measures of the Strategy</td>
</tr>
<tr>
<td>Form</td>
<td>Publishing the relevant documents on the Czech Defence Ministry website</td>
</tr>
</tbody>
</table>

V.6 Budget and financial resources

Implementation of the Strategy does not require additional financial resources and does not represent any additional demands on the state budget. Implementation consists mainly of carrying out the organisational measures, strengthening communication and sharing information, formulating MoD regulations, methodologies, and continuously updating Czech defence standards.

V.7 Risk management system and strategy implementation expectations

Successful implementation of the goals of the Strategy is subject to the following risks:

1) Insufficient awareness of the Czech defence industry and other central public administration authorities on the vision, goals, missions and measures of the Strategy.
2) Time relevant and factual plans are not properly formulated during assignment for the armaments system.
3) Regulations on the implementation of rules of effective, efficient and economical armaments and capabilities acquisition are not approved on time.
4) The unwillingness to modify acquisition procedures with the appropriate exceptions approved by European binding legal regulations.
5) The system of risk management is part of the project management process and is addressed in every individual armaments project.
VI. Strategy Formulation Procedures

VI.1 Authors of the Strategy and involved stakeholders.

The Strategy was prepared by the MoD Armaments and Acquisitions Division and the MoD Industrial Cooperation and Organisations Management Division in cooperation with designated experts from the different divisions of the MoD and with other involved entities.

VI.2 Description of the strategy formulation procedure

The strategy was prepared in accordance with the Czech Government Decree No. 318/2013 of 2nd May 2013, on the methodology of reparation of public strategies; the structure and maintenance of previously implemented strategies was also taken into account.99,100

The proposal was discussed at meetings of the working group and the MoD project team, consulted during MoD staffing procedures, and subsequently discussed with the Council of the Minister of Defence for Planning, in the Committee for Defence Planning, with the Security Council of the State, and presented at a meeting of the Government of the Czech Republic with the recommendation of the National Security Council.

100 The Strategic Alternative 2016-2020 long-term development intention (DZRO STRATAL).
VII. Conclusion

The Strategy defines the vision, goals, the principles of armaments and the support of Czech defence industry development, the fulfillment of which allows for the equipping of modern, efficient, secure and interoperable military materiel and services for the military requirements of the AFCR’s in order to ensure the required capabilities in the wide spectrum of current and future operations within the framework of planned deadlines and quality standards.

The Strategy creates conditions for the effective, efficient and economical armaments system of the AFCR, using the stable and long-term planning processes of capacity building, with an efficient and transparent acquisition process with maximum use of the potential for cooperation with the Czech defence industry throughout the whole Life – Cycle of the military materiel. The implementation, and outcome, and measures taken ensure that the goals of the Strategy can be reached.

The Strategy’s outlook timescale is up to 2025, and its revision depends upon an update of the strategic documents of the Czech Republic (Security Strategy of the Czech Republic and Defence Strategy of the Czech Republic) and the MoD policy documents (LTPD 2030 and CAFDC 2025) which define the steps necessary to build up the capabilities of the AFCR and represents reasons for the change in the policies of the MoD and the Czech defence industry with respect to the armaments process.
VIII. Annexes

Annex 1

VIII.1 Primary areas of security of supply for AFCR needs

The goal of the Ministry in providing the **security of supply** is to maintain the operability and operational reliability of the military materiel of the AFCR and guarantee to ensure supplies and services according to the needs of the AFCR, and the Life – Cycle stages of military materiel. The Ministry considers that equipping units of the AFCR with military materiel for the expected length of deployment to be a prerequisite in maintaining the AFCR capabilities, especially during crises scenarios where outages of military materiel supplies from abroad occur.\(^{101}\) The Ministry attaches great importance to the unification of military materiel and the fulfillment of defence standards (Czech defence standards, STANAG).

While providing the security of supply, the Ministry pays special attention to the following two areas:

a) **The security of supply for servicing and spare parts for military materiel** requires the Ministry to be aware of the diversity of maintenance providers and spare parts suppliers, with an emphasis on the suppliers of critical spare parts. The supply of critical spare parts depends on the narrow portfolio of manufacturers/suppliers.\(^{102}\)

The Ministry therefore ensures:

- The **Life – Cycle of weapons and equipment** is planned and discussed as early as the acquisition stage using a thorough analysis of the tender conditions.\(^{103}\)
- The **definition of maintenance conditions** primarily for levels 1 and 2.\(^{104}\)
- **Equal approach to foreign and domestic manufacturers/suppliers** as far as servicing of military materiel is concerned.\(^{105}\)
- **The identification of the impact component failing** which will endanger the capacities of arms and equipment.\(^{106}\)
- The **identification of critical spare parts for specific types of equipment**.\(^{107}\) The formulation of an overview of manufacturers/suppliers of critical spare parts and the verification of the MoD’s capabilities to procure spare parts from these manufacturers/suppliers.
- Depending on the required coefficients of technical readiness, the Ministry predicts the requirements of critical spare parts.\(^{108}\)
- The **availability of critical spare parts** by creating stock reserves and their maintenance at the fixed measure both in the armed forces and in maintenance facilities.
- **Outages of spare parts supplies** (not only critical ones) are contractually provided as early as the beginning of the acquisition process; the goal to ensure the development and implementation of back-up solutions which would ensure the operability of arms and equipment while minimising the losses of the original capabilities.
- **Monitor and ensure the capacity of key manufacturers/suppliers** to find solutions to replace critical spare parts.
- **Minimises risks of ensuring spare parts supplied through appropriate cooperation with the partners (NATO, EU, strategic partners).**\(^{109}\)
- **Plan and carry out the modernisation of military materiel in the area of technology development and Life – Cycle stage.**
- **Interconnection of supplies in peacetime with the supplies during a state of emergency or in wartime.**
- **Decommission military materiel from active use before the end of its service life and assign it into mobilisation reserves for the rest of its life. Replace the decommissioned military materiel for active use with new materiel.**

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\(^{101}\) For instance for the Brigade Task Force, rotation is planned in 6 months intervals;

\(^{102}\) In certain types of equipment, e. g. precision ammunitions, the case may be that a single supplier of critical spare parts exists;

\(^{103}\) Life – Cycle processes are described in the Czech Defence Standard 0516555 “NATO Military Materiel Life – Cycle Processes”;

\(^{104}\) Level 3 is acceptable for the Life – Cycle stages 4 and 5 only for military materiel in which the domestic defence industry is unable to arrange for these stages even in the long-term run (e. g. JAS -39 Gripen);

\(^{105}\) That changes the setting of the MoD common requirements towards foreign and domestic suppliers in the domain of ensuring servicing for military materiel;

\(^{106}\) Availability of technologies depends on the primary customer in accordance with ITAR (International Traffic in Arms Regulations);

\(^{107}\) The Pareto (ABC) analysis and Pareto principle (80/20) applies in practice; only 20% of parts cause 80% of equipment unserviceability.

\(^{108}\) That primarily involves sharing spare parts on weapons and equipment in the inventory of multiple nations;
b) **Ensure security of supply of ammunition:** In the case of insufficient stocks for the AFCR, in all categories of ammunition, the Ministry regards this domain as an important factor for ensuring the Czech Republic’s defence capability and force sustainability during operations. In this regard, the Ministry seeks to:

- Ensure ammunition supplies from Tier 1 and Tier 2 suppliers[^10]: For contingency scenarios, the Ministry ensures the supply of ammunition by Tier 1 and Tier 2 suppliers, including organising the transition to selected manufacturers/suppliers associated with the production of ammunition. The Ministry verifies and evaluates the organisation and readiness of possible changes in production of selected producers/suppliers, including the supply of materiel. Because of the security interest of the state, the Ministry specifies the types of ammunition procured from domestic manufacturers[^11] as a matter of priority in maintaining the production capacity to supply the AFCR as part of contingency scenarios during outage scenarios.

- Ensure ammunition supplies from Tier 3 and Tier 4 suppliers: The Ministry realises that procurement of military materiel abroad can generate dependency on foreign suppliers and resellers as well as on the political situation[^12] that affects its immediate availability.

### VIII.2 Legislation

1) Act No. 134/2016 Coll., on Public Procurement.

### Strategic policy documents

10) Act No. 219/1999 Coll., on the Armed Forces of the Czech Republic, as amended.
18) AQAP 100 NATO Policy on an Integrated Systems Approach to Quality through the Life – Cycle.

[^10]: “The Czech Armed Forces does not have plans for covering the loss of personnel and materiel, the stocks in some commodities do not suffice even for one week of combat activities. The stocks do not even hold the necessary level of materiel even for line units, not to speak about covering the combat losses and for mobilisation. Resupplying the stocks for mere one month of activities presently requires almost CZK 20 billion”. (Cit. Mlčánek, František et al., Report on the status of provision of defence of the Czech Republic in 2014 – Myths and Reality, in Military Horizons, 2014, Year 23 (55), No. 2, ISSN 2336-2995 (on line), available at http://www.vojenskerozhledy.cz/aktuality/2-uncategorised/66-zprava-o-stavu-zabezpeceni-obrany-cr-v-rove-2014-myty-a-realtia;)

[^11]: Tier 1 and Tier 2 suppliers are not able to procure ammunition for the CAF in the whole spectrum, especially air ammunition and missiles for GBAD systems;


[^13]: For example the Council Decision 2014/512/CFSF of 31 July 2014 concerning restrictive measures in view of Russia’s actions destabilising the situation in Ukraine.
### Annex 3 Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFCR</td>
<td>Armed Forces of the Czech Republic</td>
</tr>
<tr>
<td>B2B</td>
<td>Format business to business</td>
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<tr>
<td>BRINES</td>
<td>Biotechnology, Robotics, Information Technology, Nanotechnology and Materials, Energy and Resources, and Systems</td>
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<tr>
<td>CAF</td>
<td>Czech Armed Forces</td>
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<td>CAFDC 2025</td>
<td>Czech Armed Forces Development Concept 2025</td>
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<td>CDIO</td>
<td>Critical Defence Infrastructure Object</td>
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<td>CNAD</td>
<td>Conference of National Armaments Directors</td>
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<td>CSDP</td>
<td>Common Security and Defence Policy</td>
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<td>DI</td>
<td>Defence Industry</td>
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<td>DSIA CR</td>
<td>Defence and Security Industry Association of the Czech Republic</td>
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<td>EC</td>
<td>European Commission</td>
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<td>EDA</td>
<td>European Defence Agency</td>
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<td>EDEME</td>
<td>European Defence Equipment Market</td>
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<td>EDTIB</td>
<td>European Defence Technology Industrial Base</td>
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<td>EMB</td>
<td>Embassy</td>
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<td>ESIF</td>
<td>European Structural and Investment Funds</td>
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<td>EU</td>
<td>European Union</td>
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<td>FNIE</td>
<td>Framework for NATO - Industry Engagement</td>
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<td>G2G</td>
<td>Government to Government Format</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GS CAF</td>
<td>General Staff</td>
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<td>LCC</td>
<td>Life – Cycle Cost</td>
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<tr>
<td>LTPD 2030</td>
<td>Long Term Perspective for Defence 2030</td>
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<tr>
<td>MEYS CR</td>
<td>Ministry of Education, Youth and Sports of the Czech Republic</td>
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<tr>
<td>MFA CR</td>
<td>Ministry of Foreign Affairs of the Czech Republic</td>
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<td>MIT CR</td>
<td>Ministry of Industry and Trade of the Czech Republic</td>
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<tr>
<td>MLSA CR</td>
<td>Ministry of Labour and Social Affairs of the Czech Republic</td>
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<tr>
<td>MoD AAD</td>
<td>Armaments and Acquisition Division MOD</td>
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<tr>
<td>MoD CR</td>
<td>Ministry of Defence of the Czech Republic</td>
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<td>MoD DPSD</td>
<td>Defence Policy and Strategy Division</td>
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<td>MoD ICOMD</td>
<td>Industrial Cooperation and Organizations Management Division</td>
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<td>MRD CR</td>
<td>Ministry for Regional Development of the Czech Republic</td>
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<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<td>NSPA</td>
<td>NATO Support and Procurement Organisation</td>
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<tr>
<td>OoG CR</td>
<td>Office of the Government of the Czech Republic</td>
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<tr>
<td>PADR</td>
<td>Preparatory Action on Defence Research</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>SMRA</td>
<td>State Material Reserves Administration</td>
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<td>SP</td>
<td>Spare parts</td>
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<td>STO</td>
<td>NATO Science and Technology Organisation</td>
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<tr>
<td>STOR</td>
<td>State Territory Operational Readiness</td>
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<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities and Threats</td>
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<tr>
<td>TFEU</td>
<td>Treaty on the Functioning of the European Union</td>
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The Czech Republic

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