

How to industrialise defence innovation: an Ankara Summit guide

TYPE OF DOCUMENT: POLICY PAPER

CLASSIFICATION: EXTERNAL

29 JUNE 2026

Executive summary

The NATO Summit in The Hague of June 2025 secured a cross-Alliance commitment to reach 5% of GDP spent on defence and achieve faster adoption of new capabilities. One year later, the upcoming Ankara summit must do something harder: address whether NATO is structurally capable of converting that commitment into industrial scale, with the threats horizon of end of the decade to be combat ready.

Our central diagnosis is that NATO's procurement architecture, and those of most Allies, is poorly matched to the operational reality of the wars in Ukraine and in the Middle East. The standards, incentives and partnership models that shape national procurement need to change.

Five reforms are required from Ankara:

1. A structural shift to effect-defined procurements;
2. An upgraded innovation infrastructure;
3. An innovation-to-early-production initiative under Allied Command Transformation;
4. A resilience-first procurement logic;
5. And a strategic partnership architecture between industry and Allies.

None of these requires a new spending pledge. Together, they would constitute a new architecture for spending what has already been committed. They will ensure that NATO and its Allies send the correct demand signals to industry and procure the capabilities needed to be combat ready by the end of the decade.

The strategic moment

Europe is undergoing its most consequential rearmament since the Cold War. All Allies now deliver 2% of GDP, finally meeting the Wales commitment from 2014, and at The Hague Summit last year the Alliance committed itself to 5%. Ahead of Ankara, the question has shifted to whether they can spend fast and big enough, and on the capabilities the future battlefield demands in a cost-effective way.

Modern conflict is shaped by mass, attrition, autonomy and industrial scale. Battlefield adaptation in Ukraine is happening in weeks, not years. Drones are expended by the hundreds of thousands. Stockpiles meant to last months are gone in weeks. Ukraine has shown that high-cost, high-end platforms are neither cost-effective nor militarily usable at scale and over time, because their production lines are too long for attritional warfare. Yet much of the Alliance's procurement machinery still operates at a peacetime pace, organised around long platform cycles and test-range certification fitted to a Cold War logic in which tanks and high-end missiles were the principal deterrent capability.

The political environment compounds this issue. The transatlantic relationship has become more fragile. Europe is being asked to take on more of its own defence burden while limited by its fragmented procurement framework. The speed of innovation has outpaced the industrial capacity to scale production: European firms can move from development to validated prototypes in months, while critical capabilities such as propellants, missile components and manufacturing capacity still take years. Capital markets are signalling doubt that the established model can deliver: defence spending is at record levels, yet share prices of the major European primes have softened.

The problem with NATO and Allied procurement architecture

Europe is undergoing its most consequential rearmament since the Cold War. All Allies now deliver 2% of GDP, finally meeting the Wales commitment from 2014, and at The Hague Summit last year the Alliance committed itself to 5%. Ahead of Ankara, the question has shifted to whether they can spend fast and big enough, and on the capabilities the future battlefield demands in a cost-effective way.

NATO procurement runs through two main agencies: the NATO Support and Procurement Agency (NSPA) in Luxembourg, which handles logistics and multi-national acquisitions, and the NATO Communications and Information Agency (NCI Agency) in Brussels and The Hague, which handles Command, Control, Communications, and Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR). Industry is widely frustrated with both; the current system structurally disadvantages defence-tech entrants and favours established prime contractors. The same structural bias is visible in most national procurement architectures, which still operate on lengthy cycles.

Pricing logic distorts competition.

Most of NSPA's twelve thousand annual awards still follow a "technically acceptable lowest bidder" logic. A shift to best-value competition above EUR 5 million has begun, but the default architecture tilts against capability-led, software-defined offerings. Compounding this, current rules favour established primes: they can submit very low hardware prices and recover costs through downstream software, updates and maintenance. The implicit certification value of a NATO contract is high enough that companies will deliberately underprice to win the "NATO stamp", expecting to recover commercially elsewhere. Together, these dynamics reward the bidder best positioned to game the pricing logic, rather than the bidder best positioned to deliver capability at scale.

Requirements favour incumbents over new entrants and combat-tested capability.

NSPA regulations explicitly prohibit size-based set-asides. Defence-tech entrants compete head-to-head with Lockheed, Leonardo and BAE under identical evaluation rules, even as those rules continue to undervalue precisely the capabilities that have become decisive: mass, autonomy, software-defined iteration. A March 2026 Bruegel policy brief found that across the major procurement contractor lists of the United Kingdom, Germany and Poland through 2024, only two defence-tech startups appear at all. The bias is compounded by a preference for test-range performance over battlefield-deployed evidence: NATO is more likely to take seriously a system observed in a demonstration than one operationally deployed, even though the latter generates far more valuable data on capability under real conditions. A system that has survived a Ukrainian winter or sustained operations in the Middle East says more about its operational value than any demonstration staged in benign conditions.

Recommendations for Ankara: from high pace to large scale

The Hague Summit focused on pace, securing the 5% target. Ankara must focus on scale: structuring the Alliance to industrialise innovation at the level the new threat environment demands. Pace can be commanded through political will and budget; scale cannot. It calls for a rethink of how to industrialise innovation.

The Ankara Summit should commit the Alliance to five structural reforms:

1. Effect-based procurements. The single most consequential reform Ankara could endorse is a structural shift from system-defined to effect-defined tendering. Today, Allies typically pre-define the specific system they want to buy before the tender opens, even when the pre-defined system is neither the best suited to the operational effect nor the most cost-efficient option. A more effective architecture starts from the operational effect required, opens the tender to industry to propose competing solutions against that effect, and selects on substance. The UK's Project NYX offers a recent example. Specifying the operational effect required – an autonomous "loyal wingman" for the British Army's Apache helicopters, capable of reconnaissance, target acquisition, strike and electronic warfare in contested airspace – rather than the specific system to be procured. Through this shift, the system could also better absorb new defence-tech entrants without distorting itself to favour them: they compete on effects, not on category, allowing innovation and disruption into the procurement cycles.

2. An upgraded innovation infrastructure. The Defence Innovation Accelerator for the North Atlantic (DIANA) and the NATO Innovation Fund were designed before Russia's full-scale invasion, and both were built to identify and seed new players, not to scale them. They have played that role effectively. They are not however, in their current configuration, the right vehicles for the next phase. The Alliance should articulate explicit pathways from successful DIANA participation and NIF investment to production-level engagement with NATO and Allied procurement agencies.

3. An innovation-to-production initiative under Allied Command Transformation. NATO should launch a new vehicle for facilitating early production contracts in the USD 25 to 50 million range, in air defence, deep precision strike, autonomous systems and maritime capabilities. These

contracts sit squarely in the structural blind spot between national procurement and existing NATO-level acquisition. The initiative should connect the Alliance's testing and exercise programmes with procurement agencies and national armament directors, providing a structured route from deployment or validated demonstration to fielded capability at scale.

4. A resilience-first procurement logic. Procurement systems are typically optimised for either lowest cost or best performance at the programme level. That optimisation creates dependencies and bottlenecks that show up later, when the system is required to sustain output under pressure. The Alliance should commit to accepting trade-offs at the outset, including potentially higher unit costs, in return for resilience and continuity of supply.

5. A strategic partnership architecture. The era of off-the-shelf sales is ending. Instead, strategic partnerships are emerging in which industry is not simply a seller but a partner in building sustainable capability over time, through localization, iteration, software updates and customer-specific adaptation. NATO's "Front Door" initiative should be developed into a full framework for that relationship and carried into national procurement design.

About the authors



Fabrice Pothier

Chief Executive Officer

As NATO's former Director of Policy Planning, Fabrice has more than twenty-five years of experience in strategic affairs and shaping international public policy at the highest levels, and has worked closely with President Zelenskyy on developing security guarantees for Ukraine.



Phillip Kjær Luscombe

Senior Director, Defence

Phillip oversees the firm's defence practice, with his background spanning advisory of leading global companies, security and defence as well as political strategy. He has worked for several politicians, both in the Danish parliament and on Danish and European campaigns



Andreas Birk-Petersen

Senior Consultant

Previous experience at the Department of Security Policy at the Danish Ministry of Foreign Affairs, bringing to Rasmussen Global a complete perspective combining diplomatic, analytical, and operational military experience across defence and security.

About Rasmussen Global

Rasmussen Global was founded in 2014 by Anders Fogh Rasmussen after his tenure as NATO Secretary General.
Today, it is Europe's leading independent geopolitical advisory firm, operating at the heart of European and transatlantic decision-making across key global capitals.
Our mission is to help democracies – and their industrial and technological champions – navigate an increasingly volatile geopolitical landscape.

For more information on our work with Defence, contact Phillip Kjær Luscombe, Director for Defence at plk@rasmussenglobal.com.

https://rasmussenglobal.com/