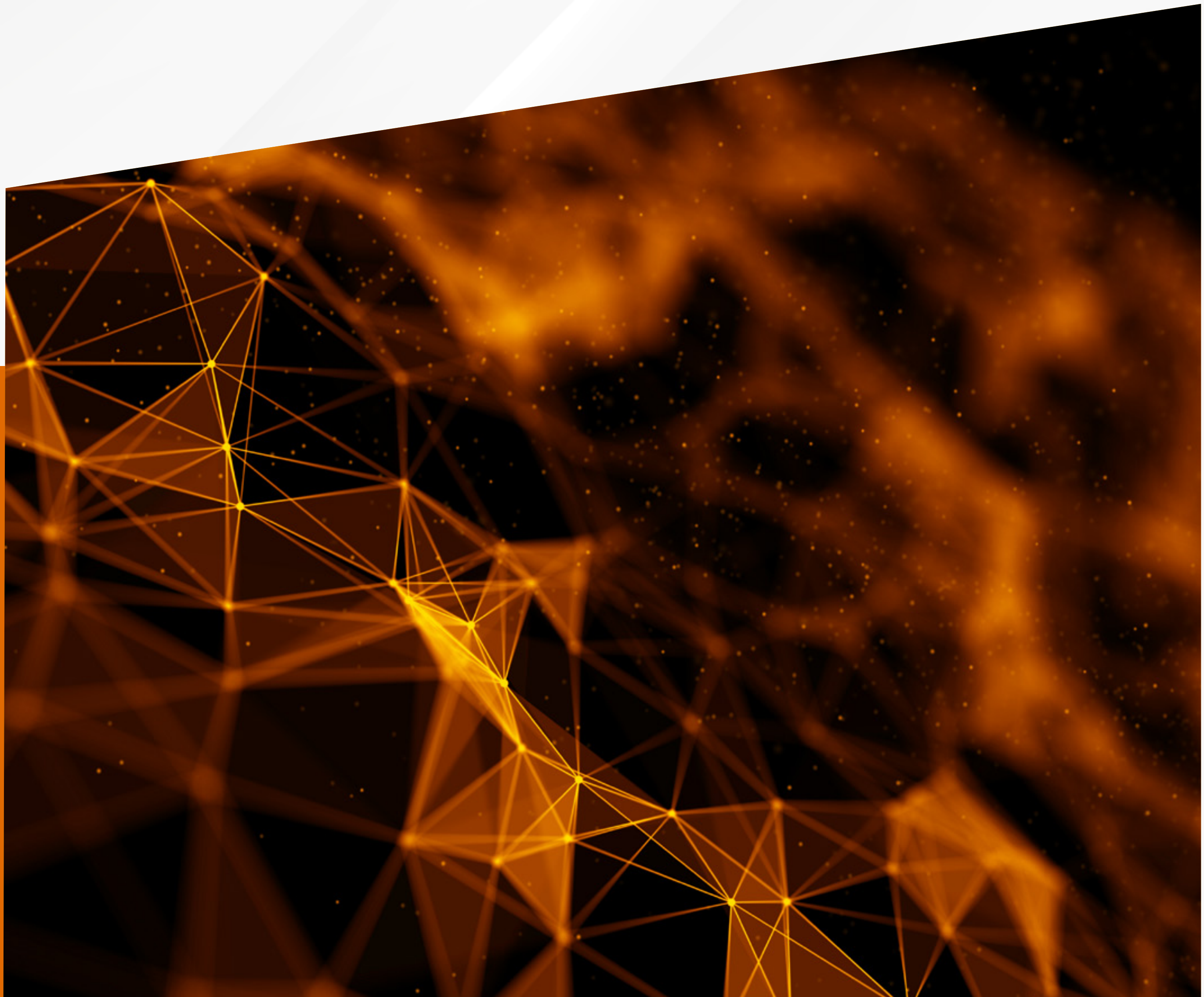
KINSTELLAR

Romania's Defence Sector Outlook

Strategic, Legal and Financial Developments



1. Strategic Context

Romania is currently entering a new phase in the modern development of its defence and security sector. Given the current geopolitical landscape and the ongoing war near Romania's border, it is only natural that greater attention be directed toward national defence and the public strategies supporting its development. Any strategic approach to strengthening the defence sector must be aligned within the broader European framework and consistent with Romania's role as a NATO member state.

Against this backdrop, discussions have intensified regarding the allocation of public resources to defence and the financial instruments employed, with an increasing emphasis on assessing their efficiency, sustainability, and strategic relevance.

2. Romania's National Defence Strategy

The National Strategy for the Defence Industry for 2024–2030 ("**SNIA**")[1] developed by the Ministry of Economy, Entrepreneurship, and Tourism sets out a six-year framework for the long-term development of Romania's defence industrial base. It establishes both general and specific objectives, accompanied by strategic priorities and measures to modernise and expand defence production capacities.

SNIA is an ambitious program built around ten core objectives focused on modernising and diversifying production across the following **key areas**:

- powders and explosives;
- ammunition;
- armoured vehicles;
- aeronautics;
- shipbuilding;
- development of information systems and cybersecurity solutions;
- autonomous combat vehicles, loitering munitions and smart munitions.

A significant challenge remains the mobilisation of adequate financial resources to implement these objectives. SNIA provides that funding will be sourced from:

- the state budget;
- state aid schemes;
- non-reimbursable European funds;
- EU funds for defence and investment.

Budgetary Framework

In accordance with SNIA, the 2025 State Budget Law[2] stipulates that **2.5% of GDP** be allocated to the defence sector. These funds are to be disbursed in stages, aligned with the implementation of the Ministry of National Defence's procurement program.

For 2025, the Ministry has been allocated budgetary credits totalling **RON 42.75 billion**, equivalent to **2.23% of projected GDP**,[3] which may be utilised throughout the fiscal year.

On November 12, 2025 the Romanian Presidency presented the **National Defence Strategy for 2025–2030**, which outlines several key objectives under the chapter on Defence, Public Order, and National Security. These include:

- updating national security legislation, strategies and doctrine;
- progressively increasing defence spending to **5% of GDP by 2035**, with **3.5% of GDP** allocated to core defence expenditures and **1.5%** dedicated to related spending and investments with a broader impact on the defence sector;
- using EU-level instruments for investment in defence industrial capabilities, in particular through joint procurement, such as the Security Action for Europe program (SAFE).

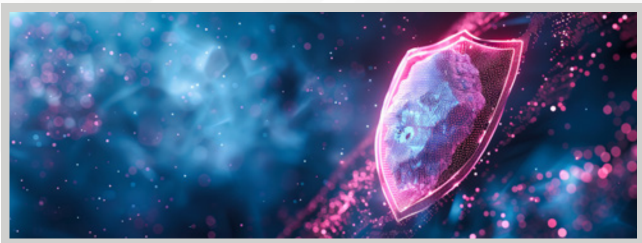
3. Security Action for Europe (SAFE)

In September 2025, the European Commission allocated €16.68 billion to Romania under the new **Security Action for Europe (SAFE)** financial instrument, launched as part of the "**ReArm Europe / Readiness 2030**" program. This was the second-largest allocation among EU Member States, after Poland.

According to the Romanian government, this financing has three key implications: for the national defence system, the state budget, and critical infrastructure development.

The SAFE instrument provides Romania with an opportunity to modernise its military and critical infrastructure under **favourable financial conditions**, offering:

- lower borrowing costs compared to current sovereign debt levels;
- additional fiscal and procedural advantages;
- enhanced flexibility in the use of funds for strategic projects.



[1] Approved by the Government Decision No. 1533/2024, published in the Official Gazette, Part I, No. 1232 of December 9, 2024

[2] Law No. 9/2025 on the state budget for 2025, published in the Official Gazette, Part I no. 118 of February 10, 2025

[3] https://www.mapn.ro/buget/documente/buget/BugetMApN_2025.pdf

Legislative Implementation

To operationalise the SAFE mechanism, in September 2025 the **Ministry of National Defence** prepared a **draft Emergency Ordinance** to implement **Council Regulation (EU) 2025/1106 of 27 May 2025**, which established SAFE and amended related legislative acts.

On 20 November 2025 the Romanian government approved the Emergency Ordinance No. 62/2025[4]("**GEO No. 62/2025**") providing the legal basis for Romania's participation in the SAFE program.

GEO No. 62/2025 establishes the stages, the public authorities involved, and the legal acts defining the cooperation requirements resulting from negotiations between the Prime Minister's Office and eligible states.

Under GEO No. 62/2025, the Ministry of National Defense is empowered to participate in the initiation, negotiation, and implementation of agreements, procurement contracts, and multinational industrial partnerships, to make urgent purchases, and to develop joint projects with European partners, while also facilitating the integration of Romanian industry into European defence production chains.

4. Defence and Security Procurement – GEO No. 114/2011

The principal legal instrument governing public procurement in the fields of defence and national security is Government Emergency Ordinance No. 114/2011 **("GEO No. 114/2011").**[5] This ordinance transposes Directive 2009/81/EC into Romanian law, thereby harmonising national procedures with EU procurement standards.

Scope of Application

GEO No. 114/2011 applies to public procurement contracts and framework agreements involving:

- the supply of military or sensitive products, including components and spare parts;
- services or works related to such products, at any stage of their lifecycle;
- works or services specifically intended for military or sensitive purposes.

Mixed Contracts

When a contract includes both defence/security and civilian components, the ordinance applies **if the defence or security component is predominant**. Contracting authorities are expressly prohibited from structuring contracts in a manner that would unjustifiably circumvent its provisions.

Parliamentary Approval for Major Contracts

For procurement procedures exceeding €100 million, contracting authorities must obtain prior approval from the Romanian parliament. The joint parliamentary committees on defence, public order, and national security must issue a decision within:

- **30 days** under the general rule; or
- **20 days** for projects financed under the SAFE program.

Without parliamentary approval, the procurement procedure cannot proceed.

Exceptions from Application

GEO No. 114/2011 explicitly excludes several categories of contracts from its scope of application. These include:

- contracts falling under Article 346 of the Treaty on the Functioning of the European Union (TFEU), which are subject to specific government decisions;
- contracts whose implementation would necessitate the disclosure of information deemed contrary to Romania's essential security interests;
- government-to-government (G2G) agreements concerning military or otherwise sensitive goods, works, or services;
- direct acquisitions valued at less than €100,000, provided that such transactions are duly supported by the requisite documentation.

Furthermore, the precise conditions and procedural mechanisms governing the award of public procurement contracts under Article 346 of TFEU are to be determined by government decisions.

At present, the following draft government decisions are under consideration:

- a government decision establishing the conditions and specific procedures for *Stage I of the "Infantry Fighting Vehicle, Tracked (MLI)" procurement program*;
- a government decision defining the conditions and specific procedures for the *"NATO-type Individual Weapon System (SAI)" procurement program*.

[4] Government Emergency Ordinance No. 62/2025 on measures to implement Council Regulation (EU) 2025/1.106 of May 27, 2025, establishing the European Security Action Instrument (SAFE) by strengthening the European defense industry, as well as amending and supplementing certain legislative acts, published in the Official Gazette, Part I, No. 1071 of November 20, 2025.

[5] Government Emergency Ordinance No. 114/2011 on the award of certain public procurement contracts in the fields of defence and security published in the Official Gazette, Part I, No. 932 of December 29, 2011

5. Technological and Industrial Cooperation in Defence and Security (Offset)

The successful implementation of SNIA depends not only on increased defence spending but also on **technological and industrial cooperation** designed to strengthen Romania's domestic defence capabilities.

GEO No. 124/2023

The current framework governing offset and industrial cooperation is established under Government Emergency Ordinance No. 124/2023 **("GEO No. 124/2023")**, which entered into force in December 2023,[6] and its methodological norms.[7]

The ordinance regulates the implementation of cooperation obligations in defence and security procurement and established the Romanian Agency of Technological and Industrial Cooperation for Security and Defence ("**ARTICS**"), which is responsible for managing, monitoring, and supervising cooperation agreements.

GEO No. 124/2023 modernises Romania's offset framework, ensuring consistency with EU and NATO standards while reinforcing national security objectives and domestic industrial capacity.

Procedural Aspects

GEO No. 124/2023 applies to all public procurement contracts in defence and security that include technological and industrial cooperation requirements.

The contracting authority, in coordination with ARTICS and the National Defence Forces ("**FSNA**"), must determine whether cooperation obligations are necessary and include them in the procurement documentation.

The offset agreement must be signed prior to the main procurement contract and enter into force either on the date of signature of the main contract or at a later date specified therein.

For G2G contracts, offset agreements must be concluded before the intergovernmental agreement is signed with each economic operator designated by the partner government.

Eligible Operations

Under the new framework, eligible cooperation operations include:

1. technology transfer;
2. research and development (R&D) collaboration to develop new materials or improve existing equipment;
3. subcontracting Romanian companies for component production or maintenance services;
4. export of equipment, services, or works linked to a procurement contract.

The Romanian beneficiary of the technological and industrial cooperation operation may be an economic operator in the national defence industry, a research and development institution, or an institution within the FSNA.

The value of cooperation operations must range between **20% and 100%** of the main procurement contract's value. The precise percentage is established by the Supreme Council for National Defence ("CSAT") upon the proposal of the contracting authority, the Ministry of Economy, and ARTICS.

To encourage high-value industrial cooperation, **multipliers** apply as follows:

- technology transfer: ×5;
- R&D cooperation: ×4;
- subcontracting: ×2;
- export activities: ×2.

These multipliers mean that certain activities may be credited multiple times toward fulfilling offset obligations, depending on their strategic significance.

Impact

GEO No. 124/2023 represents a major step forward in modernising Romania's offset system. It provides clearer procedural rules, expands offset coverage to G2G purchases (previously exempt), and prioritises the development of Romania's domestic defence-industrial base.

In the current context, the integration of Romanian companies into the supply chains of large international arms manufacturers, and the relocation of some production capacity to Romania through investment in the sector, must be prioritised.

This reform strengthens Romania's capacity to integrate into European and transatlantic defence supply chains, enhances national security, and reinforces the country's strategic position within NATO and the EU.

[6] Government Emergency Ordinance no. 124/2023 for conducting technological and industrial cooperation operations in the defence and security domains, for the establishment, organisation and functioning of the Romanian Agency of Technological and Industrial Cooperation for Security and Defence and form amending and supplementing government emergency Ordinance no. 57/2015 regarding the remuneration of personnel paid with public funds in 2019, extension of certain terms, as well as specific fiscal-budgetary measures published in the Official Gazette, Part I, No. 1192 of 29 December 2023.

[7] Approved by Government Decision No. 438/2024, published in the Official Gazette, Part I No. 398 of 29 April 2024

6. Conclusion

Romania is entering a new phase in which defence modernisation, industrial development, and European cooperation are converging to shape the country's strategic future. Supported by substantial budgetary allocations and the European SAFE mechanism, Romania's National Strategy for the Defence Industry for 2024–2030 and National Defence Strategy for 2025–2030 offer a strategic roadmap for industrial transformation and defence capability enhancement. If managed efficiently, this framework can position Romania not merely as a beneficiary of European defence initiatives, but as a regional pillar of security, innovation, and industrial resilience within the Euro-Atlantic community.

Nevertheless, the extent to which this potential can be realised depends on the consistent implementation of the legislative framework, the prudent and transparent allocation of financial resources, and, above all, the effective coordination among the institutional actors involved. Only through the alignment of these dimensions can Romania's emerging defence opportunities be translated into substantive and sustainable strategic outcomes.

As Romania continues to enhance its defence and security capabilities, Kinstellar is uniquely positioned to provide comprehensive legal and financial support, not only in the local market but also across the broader region.

As a leading independent law firm in Central and Eastern Europe (CEE), Southeast Europe (SEE), and Central Asia, Kinstellar offers a unique blend of expertise and integrity that is essential for navigating the complex Defence & Security sector. With a deep understanding of the regulatory landscape and the political sensitivities involved, Kinstellar supports its clients across the full spectrum of defence and security matters—from government contracting and defence procurement to foreign investment restrictions, export controls, compliance, and investigations. Our multi-disciplinary team is well-equipped to assist with procurement, industrial cooperation, offset agreements, technology transfers, and the negotiation and review of Ministry of Defence (MOD) contracts. Additionally, we provide specialized advice on data protection, R&D collaborations, cybersecurity, and IP protection, ensuring that our clients meet both local and international regulatory requirements.

Kinstellar's expertise extends to a wide range of stakeholders in the sector, including global defence contractors, MRO service providers, multinational organisations, financial institutions, and insurers. With our extensive experience in complex transactions, joint ventures, and financing structures, we are uniquely positioned to support clients looking to enter or expand in Romania's defence sector.

Leading independent law firm in Central and Southeastern Europe and Central Asia

With offices in 12 jurisdictions and over 300 local and international lawyers, we deliver consistent, joined-up legal advice and assistance across diverse regional markets — together with the know-how and experience to champion your interests while minimising exposure to risk.

ALMATY | KAZAKHSTAN
ASTANA | KAZAKHSTAN
BELGRADE | SERBIA
BRATISLAVA | SLOVAKIA
BUCHAREST | ROMANIA
BUDAPEST | HUNGARY
ISTANBUL | TÜRKIYE
KYIV | UKRAINE
PRAGUE | CZECH REPUBLIC
SOFIA | BULGARIA
TASHKENT | UZBEKISTAN
VIENNA | AUSTRIA
ZAGREB | CROATIA

KINSTELLAR