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MARKET RADAR

CEE

Expansion Outlook

Focus on Dual-Use, Defence, Tech, and Cybersecurity

Date: July 2025

“CEE is ready for innovation, but we work with partners who commit- not just vendors who visit.”

PwC CEE defence & Security Outlook, 2024, based on interviews with regional procurement leaders.

Content:

Central and Eastern Europe (CEE) is emerging as one of Europe's most strategic regions for high-growth sectors such as defence, dual-use technologies, cybersecurity, and B2B innovation. This report offers a comprehensive outlook on the region's macroeconomic trajectory, sector-specific investment, public-private procurement dynamics, trends, and go-to-market requirements for international firms aiming to enter or scale.

Why this report matters

CEE is now outpacing Western Europe in GDP growth (3.5% vs. 1.8%, Eurostat 2024), and its strategic position on NATO's eastern flank has transformed it into a critical zone for digital sovereignty, infrastructure modernization, military readiness.

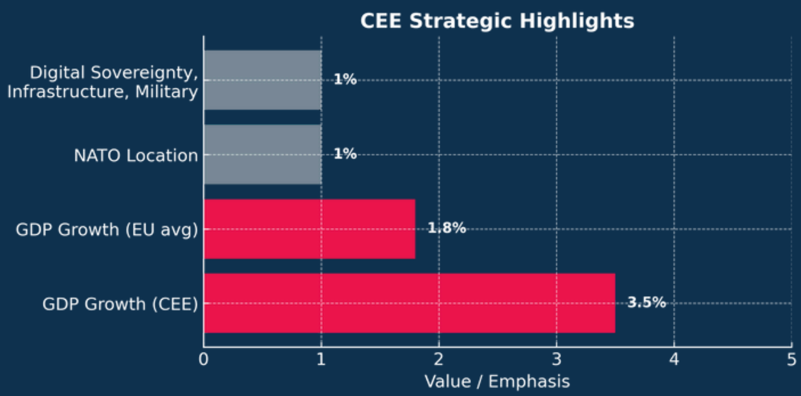
3.5%

GDP Growth of CEE

vs

1.8%

GDP Growth of WE



What you'll find inside

GDP, trade, inflation outlook for 2025+

Country-level breakdown CEE

Sector deep dives: defence, dual-use, SaaS, Critcal Infrastructure

Key factors: structures, language, &localization

GTM readiness checklist, setup options

Key takeaways

30B+

Defence and infrastructure spending are surging, with €30B+ in public funding allocated to digital sovereignty, dual-use innovation, modernization by 2026 (European Commission, EDA).

Defence budgets on NATO’s Eastern Flank grew 14% YoY in 2024, with Poland investing 4.1% of GDP- the highest ratio in NATO (NATO DI, 2024).

14%

28%
since 2020

40%
of total import value

(Eurostat, 2023)

DImports of high-tech and strategic equipment rose 28% since 2020, with defence, ICT, and automation making up 40%+ of total import value (Eurostat, 2023).

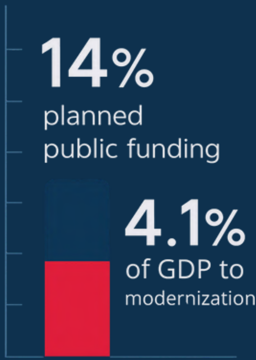
Companies that succeed in CEE focus on local regulatory alignment, case studies in-region, operational footprint, and access to co-funded projects and procurement frameworks.

Why CEE now?

Central and Eastern Europe has rapidly shifted from a talent hub to one of Europe's most strategic markets for defence, dual-use, cybersecurity, deeptech, enterprise services.

In 2024, defence budgets on NATO's eastern flank rose by **14%** year-on-year, with Poland allocating **4.1%** of GDP to modernization- the highest ratio in the Alliance.

Across the region, more than **€30 billion** in public funding is planned for digital sovereignty, critical infrastructure, dual-use innovation by 2026 (European Commission, NATO DI, EDA).



For international companies, this surge brings access to procurement programs, co-funded pilots, and buyers prioritizing resilient, sovereign solutions. Yet, success requires more than a product; it demands local presence, tailored positioning, and operational credibility.

Localization
Co-funded initiatives

Procurement Access
Resilient, sovereign solutions

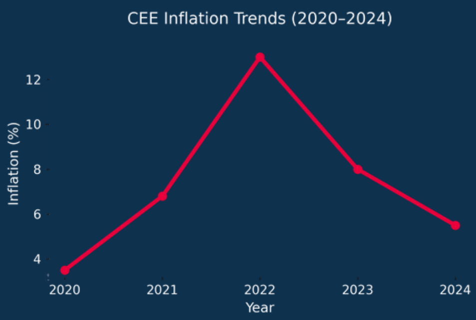
Scale
Frameworks to grow regionally

Credibility
Requires local presence

CEE economic snapshot (2020–2024)

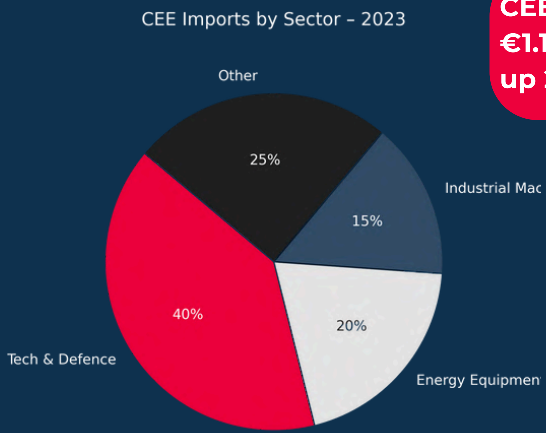
Despite global slowdowns, the CEE region averaged **3.5%** annual GDP growth (2020–2024), with Poland and Romania recording growth rates at **4–5%** (Eurostat, 2024).
The region outpaced the EU-27 average (1.8%) and is projected to sustain **3%+ growth through 2026.**

3%+ growth through 2026



Inflation peaked at **12–15%** in 2022, but normalized to **5–7%** by late **2024** across most markets (IMF, 2024). **Currency stability has improved**, with the Polish zloty and Romanian leu regaining pre-2022 levels.

Total imports to CEE exceeded **€1.1 trillion in 2023, up 28% from 2020** (Eurostat). Technology, industrial machinery, energy equipment, and defence-related components accounted for over **40%** of import value.



CEE imports €1.1 trillion in 2023 up 28% from 2020

CEE: macro & micro overview

CEE countries differ in growth pace, defence priorities and technological depth — yet each presents a distinct opportunity for dual-use ventures. This overview maps out the region's strategic footprint and key sectoral champions.

POLAND

GDP Growth
3.3–3.5%

Defence Spend (% GDP)
~4.7%

Innovation Index (EU)
High (~15th)

Dual-Use Ecosystem
Extensive (defence primes, NSF, R&D platforms)

ROMANIA

GDP Growth
~1.6%

Defence Spend (% GDP)
~2.2% (rising)

Innovation Index (EU)
Moderate

Dual-Use Ecosystem
Emerging cyber & dual-use cluster

CZECHIA

GDP Growth
1.9%

Defence Spend (% GDP)
~2.1%

Innovation Index (EU)
Moderate-High

Dual-Use Ecosystem
Engineering-heavy base, deep-tech startups

HUNGARY

GDP Growth
~1.65%

Defence Spend (% GDP)
~1.9%

Innovation Index (EU)
Moderate

Dual-Use Ecosystem
Dual-use tech in electronics, AI, mobility

BALTICS

GDP Growth
3.3–3.5%

Defence Spend (% GDP)
~4.7%

Innovation Index (EU)
Very High (top quartile)

Dual-Use Ecosystem
Emerging cyber & dual-use cluster

Analysis based on Eurostat, NATO, EDA, and national sources (2024).
Full references available in bibliography.

CEE sectoral expansion trends: 2020–2026

The region's transformation is accelerating, with four core sectors showing strong demand, budget growth, and international procurement interest.

DEFENCE & NATIONAL SECURITY

Drivers: NATO modernization, regional threats, and national strategic autonomy goals

+45%

Imports of defence hardware, ISR systems, technologies rose by 45% (2020–2023).

€29B

Estimated value of defence contracts expected from Poland by 2026 (NATO DI, EDA).

€8.5B

Value of defence contracts awarded in Poland since 2022 (NATO DI, EDA).

12-20%

Annual increase in defence budgets among NATO-aligned states.

CRITICAL INFRASTRUCTURE & CYBERSECURITY

Drivers: Grid modernization, ICS/OT protection, digital infrastructure

+35%

Imports of turbines, sensors, heavy equipment grew.

€7.2B

Cybersecurity market in CEE forecasted to reach by 2026.

€136B

Public funding allocated to renewables in CEE (2022-26)

€930M

Located in 2024 to boost Poland's cyber and infrastructure resilience.

Full references available in bibliography.

CEE sectoral expansion trends: 2020–2026

DUAL-USE & DEEP TECH

Drivers: EU innovation funding, civil–military fusion, space & AI focus

€11B

Public and EU funding dedicated to quantum, AI, and space technologies over the past five years

€5.2B

Investment in European defence-tech startups, record high deal volume in 2024

€15B

VC funding raised in 2024 by European deep-tech startups, including dual-use ventures

€57.3B

EU dual-use exports in 2022 (49% year over year growth)

B2B TECHNOLOGY & SAAS SERVICES

Drivers: Digital transformation, cloud migration, compliance requirements

+25%

SaaS imports have grown +25% per year (2021–2024)

€9.75B

Size of Poland's IT services sector in 2024 (software, consulting, compliance).

+20%

ICT now accounts of goods imports in Baltics & Poland.

€2 B

Total market cap of 10 selected CEE SaaS companies: vestbee.com

Full references available in bibliography.

Markets strategic considerations & regulations

Central and Eastern Europe (CEE) presents strong growth opportunities but remains highly fragmented. With differing regulations, procurement processes, and strategic priorities across Poland, Romania, and the Baltic states, a one-size-fits-all approach is ineffective.

Regulated sectors

Defence & Dual-Use

In Poland and Romania, over **70%** of defence contracts above **€5 million** require local entity registration or a verified local partner. Suppliers must meet strict security standards (e.g., NATO Secret) and comply with national defence procurement laws.

Cybersecurity & Critical Infrastructure

The **NIS2 Directive** (2024) **requires** providers to demonstrate local incident response teams, certified personnel, and EU-based data handling to be eligible for tenders. The NIS2 with non-compliance risking exclusion from critical infrastructure projects and fines up to **€10 million or 2%** of global turnover.

Financial & Public Sector

Many buyers mandate onshore data centers or certified local operators, even for global SaaS and IT vendors. Common tender conditions include **EU GDPR** compliance, **physical data residency**, or **ISO 27001**-accredited providers. This is increasingly used in public sector RFPs.

Public procurement vs private sector dynamics

Public procurement and private sector sales in CEE follow distinct rulesets, timelines, and buyer behaviors. Understanding these differences is critical for tailoring go-to-market and partnership strategies.

Aspect	Public Procurement	Private Sector Dynamics
Sales Cycle	12–18 months for defence and infrastructure contracts (European Defence Agency, 2024)	Typically 6–12 months; varies by sector and deal complexity
Access Requirements	Mandatory registration on national procurement portals (e.g., UZP- Poland, SEA- Romania)	Direct outreach, referrals, or partnership
Contract Structure	Over 60% of major contracts are PPPs or co-funded projects, favoring local partners	80% of mid-market deals require board-level approval
Vendor Preference	Suppliers with local presence or advocacy enjoy better outcomes in competitive bidding	Localized onboarding and support are preferred- even for global vendors
Procurement Priorities	Transparency, compliance, offset obligations, and regional capability development	Integration, compliance, and operational fit outweigh global brand reputation

Regional strategic priorities

Before committing resources, companies must assess:

Alignment with funding flows (e.g., Poland's **€29B** defence budget vs. Romania's **€9B** infrastructure programs by 2026).

Regulatory bottlenecks (security clearance and certification procedures can delay market entry by **3–6** months).

Competitive landscape (local IT integrators still secure **60%+** of new corporate contracts).

National innovation agendas (e.g., Baltics focusing on cyber and AI, Poland prioritizing autonomous logistics and air defence).

How to find a deal?

Poland
UZP Procurement Portal, Polish Armament Agency, National Cyber Standards

Romania
SEAP Procurement System, Ministry of National Defence

Baltic States
Estonia Procurement Register, Latvia, Lithuania

EU-Wide
EU tenders EU Dual-Use Export Controls, EU Defence Procurement Guidelines

links below

Localization: beyond language

In Poland, Romania, and the Baltics, **70%+ of defence and infrastructure tenders above €5M require**:

Local entity registration or a certified local partner.

Certifications (e.g., NATO Secret, ISO 27001).

Even SaaS and IT vendors speed up approvals by 20–30% by holding a local VAT ID or registered entity, avoiding extra tax and compliance checks.

Commercial signaling

- **Local VAT numbers on invoices.**
- **Contracts in local currency.**
- **Buyers favor suppliers with: regional domains (.pl, .ro, .ee) for websites/emails.**

Why this matters?

Lack of proper localization often leads to **disqualification from tenders**, even when technical criteria are met. Missing a local VAT ID or entity can delay vendor approval by **2–3 months,** while triggering extra tax and compliance reviews. These gaps also undermine buyer trust, especially in **high-security sectors** like defence and infrastructure.

Hiring & operational setup

Expanding into Central and Eastern Europe can unlock growth, but companies that go in unprepared often lose months and credibility.

Before committing resources, it’s critical to validate whether your business is ready for the region’s regulatory, commercial, and operational realities.

Companies entering the region usually choose between

EoR (Employer of Record)

Fast, no entity needed, but demands strict compliance to avoid risks

Direct hires

best for long-term teams, but requires registration, payroll, and legal oversight in each country

Contractor models

flexible for short-term or project needs, but can trigger tax or legal complications if misused

Common pitfalls

- **Delays in payroll setup**
- **Legal & tax fragmentation**
- **Missed deals due to non-compliance**

Why Partner locally?

- **Fast, compliance entry**
- **One setup: mutli-market search**
- **Smooth start for sales and delivery**

Readiness:
go-to-market validation

Expanding into Central and Eastern Europe can unlock growth, but companies that go in unprepared often lose months and credibility.

Before committing resources, it's critical to validate whether your business is ready for the **region's regulatory, commercial, and operational realities.**

Key questions to assess

- *Is your value proposition adapted to local markets and sector priorities?*
- *Can you clearly define target sectors and buyer profiles across multiple countries?*
- *Are your pricing, messaging, and compliance structures aligned with regional standards?*
- *Do you have trusted operational capacity on the ground to execute and support clients?*

Companies that try to address these challenges alone often face **delays, missed opportunities, and investor pushback.**

Partnering with an experienced **local operator** helps validate strategy, fill capability gaps, and accelerate entry **without unnecessary risk or cost.**

Summary

CEE is no longer just a low-cost delivery hub. CEE is now a geopolitical and economic growth engine. Strategic sectors like defence, cybersecurity, and dual-use technologies are receiving unprecedented levels of funding, attention, and urgency.

With public procurement dominating large-scale deals, national security reshaping IT and energy, and industrial policy, the region is uniquely poised for investors and companies ready to commit.

However, success in CEE requires more than market ambition. Primarily, that demands an understanding of procurement systems, regulatory nuances, buyer behavior, etc. With fragmentation across countries, tailored go-to-market strategies or local compliance are essential.

This report provides leaders, investors, and innovators with the insights and frameworks necessary to capture first-mover advantage in a region, serving as a key resource at Europe's strategic transformation center.

Let's talk
CEE expansion.

Let's explore what's possible together.

Angelika Mazur & Kacper Ciechorski
Managing Partners
contact@foreprime.co
+48 503 423 133
+44 741 179 6507

Glossary

CEE (Central and Eastern Europe)
Group of countries including Poland, Czechia, Slovakia, Hungary, Romania, Bulgaria, and the Baltic states (Estonia, Latvia, Lithuania). Often treated as a bloc, but with major structural and regulatory differences.

Dual-Use Technologies
Technologies developed for civilian use that can also serve military or security applications (e.g. AI, drones, cybersecurity, satellites).

EoR (Employer of Record)
A third-party organization that legally employs a company's workers in a foreign country. Common for early-stage expansion without opening a local entity.

Go-To-Market (GTM) Strategy
The action plan for launching a product or service in a new market. Includes positioning, messaging, channel strategy, and buyer engagement.

PESTLE Analysis
A framework used to analyze political, economic, social, technological, legal, and environmental factors that impact a market or region.

NATO DI (defence Innovation)
NATO's programs and initiatives supporting innovation, particularly from startups and scaleups working in dual-use or defence-relevant technologies.

Stakeholder Mapping
A process for identifying key decision-makers and influencers within a given sector or procurement system. Critical for regulated and B2G sales.

NIS2 Directive
EU directive tightening cybersecurity rules across critical sectors, requiring local capabilities and certifications

Public-Private Partnerships (PPPs)
Co-funded ventures between government and private sector, common in infrastructure and defence projects.

ISR (Intelligence, Surveillance, Reconnaissance)
Technologies and systems used for collecting and processing information to support defence and national security operations.

UZP (Urząd Zamówień Publicznych)
The Public Procurement Office in Poland and its online platform used to publish and manage national tenders.

SEA (Sistemul Electronic de Achiziții Publice)
Romania's national electronic public procurement system.

Offset Obligations
Requirements for defence contractors to invest locally or transfer technology as part of large-scale government contracts.

Critical Infrastructure
Assets and systems essential to the functioning of society and the economy, such as energy, transport, water, and communications networks.

Embedded Partner / Embedded Execution
A local partner or team integrated into the market entry and delivery process, acting as an operational extension of the international company.

Sovereign Technology / Digital Sovereignty
Technologies developed and controlled within a country or region to ensure strategic autonomy, cybersecurity, and national resilience

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