

**BEYOND AID:
MAKING UKRAINE
DEFENCE
COOPERATION
WORK**

September 2026

Authors: Anastasiia Tovsta, Daria Holets, Olha Bezverha, and Emir Omelchenko

Editors: Olena Bilousova, Marta Bukhtiiarova, and Nataliia Shapoval

Reviewer: Anna Hvozdiar

EXECUTIVE SUMMARY

As of 2026, Ukraine is asserting a new place in the regional and global defence landscape, realising that Defence Forces' (DFU) sustainment cannot depend solely on military aid. The country strives to create a more reliable, less politically leveraged flow of weapons, repairs, components, and innovations for its military, while also linking its own defence industry to European and Euro-Atlantic supply chains.

Overall, there is a large and diverse network of international partnerships. By May 2026, **at least 180 business-to-business partnerships** had been initiated, with Germany (**20%**), Denmark (**10%**) and the US (**9%**) being the most active. But around **22%** of cooperation cases had already stalled, usually at an early stage, suggesting that the main problem is making partnerships work after the establishment. The most dynamic area is unmanned systems – **26%** of all partnerships – while air defence (**17%**) and artillery (**10%**) move more slowly. Partnerships involving private Ukrainian firms are much more viable than those involving state-owned enterprises, with activity rates of roughly **96%** versus **62%**. Many partnerships remain stuck at the level of memorandums, while the system still suffers from fragmented authority, unclear rules, weak administrative capacity and unstable funding.

This cooperation now works through several production frameworks.

- **The Build in Ukraine** approach brings foreign companies to produce, repair, maintain or co-develop systems on Ukrainian territory. As of June 2026, this track involved around **41** foreign companies and **60** partnerships with Ukrainian manufacturers, at varying stages of implementation, from signed memoranda to facilities already in production. The most developed part of this model is the maintenance and repair of Western-supplied equipment. Localised production is concentrated in ammunition, components, unmanned systems and artillery. The production of air-defence systems and armoured vehicles, by contrast, remains much less mature and often stays at a memorandum level. This track can shorten supply chains, speed up repairs and bring foreign know-how and investment into Ukraine. But there are wartime security risks, complicated regulations, dependence on imported components and funding, limited state capacity and the frequent absence of a strong Ukrainian partner. Both types of cooperation, either with Ukrainian state-owned or private companies, can get stuck: state-led projects are slowed most often by extensive bureaucracy, while private-led ones still depend on clear demand and procurement decisions.
- Meanwhile, **Build with Ukraine** does the reverse: it moves Ukrainian-designed technologies into partner countries for joint production, usually under intergovernmental agreements and with partner-country funding. This track now spans around **41** partnerships across unmanned systems, ground robotics, missiles, naval systems, electronic warfare (EW), components and air defence. Through this track, a partner country signs an intergovernmental agreement with Ukraine, funds production on its territory, with early output going to Ukraine's army, and later phases can also support the partner's own defence needs. In this way, Ukraine gains access to financing, export pathways and allied industrial networks. Partners, in turn, obtain battle-tested Ukrainian technologies and combat-driven engineering. Denmark, Norway, the Netherlands, Germany, the UK and others are already pursuing this track.

These two frameworks are meant to increase output, enhance resilience, and allow for faster replenishment of armaments than aid deliveries alone can provide.

A more comprehensive model of industrial cooperation, the **Drone Deal**, could be seen as the next stage of the Build with Ukraine approach, especially in drones, air defence support, EW, and military software. It began as a concept aligned with the strict US defence standards, with a secure export infrastructure for Ukrainian military technologies under a China-free component standard, but later evolved into a wider international programme. Now, it is a system of framework government-to-government agreements under which ministries and defence companies conclude contracts and licensing agreements for parity production and controlled export. Partner funding is channelled into Ukraine's production lines and into joint production on partner territory, giving the partner state a legally binding right to receive and export its share of the output. There is a 50/50 split: half of the manufactured output goes to Ukraine's frontline needs, and half goes to partner states for their own armed forces and reserves. The Drone Deal is in an active scaling phase, involving roughly **20** countries at different stages.

Alongside business-to-business (B2B) and government-to-government (G2G) cooperation approaches, partner states also fund Ukrainian defence production directly. This financing usually flows through three pathways.

- The **Danish-style coordinated track** stands out as the most structured and scalable, since a partner state provides funding through a clear channel and with strong external oversight, in coordination with Ukraine's Defence Procurement Agency. In 2025, about €1.4 billion was directed toward the Ukrainian defence industry through this funding mechanism. The Danish-style track gives Ukraine the order book to plan around, shortens delivery times for the military, and reduces pressure on the state budget. It is still administratively demanding, though, and scaling it will require more institutional, audit and contract-management capacity. Less coordinated funding models can be faster, but they are weaker as systems.
- The **Hybrid track** used by the Netherlands, Germany and Norway, alongside the **Direct track** utilised mostly by the US, the UK and Sweden, shows that direct government-to-business deals can move quickly and deliver faster results. But they rely on separate partner-driven due diligence and do not provide a single common algorithm for priorities, selection, and monitoring. The Hybrid and Direct tracks are useful for speed and project-specific support but less suitable as the main basis for long-term defence-industrial development.

These funding and cooperation models work as a lifebuoy for Ukrainian defence companies in conditions of **constrained export**, since domestic demand and national state funding alone are not enough to keep their capacities fully used, support long-term planning, attract investment and retain technical teams. Ukraine has not reopened a normal arms export regime. Instead, the country strives to operate through a narrow, controlled system, mostly based on technology transfer and contractual cooperation under Build with Ukraine. Apart from just slow paperwork, other issues include the lack of a predictable legal and policy framework and the persistence of case-by-case licensing approvals and individual permissions. The result is uncertainty for both Ukrainian firms and foreign investors.

Looking at the partners' endeavours, the architecture around Ukraine has become much more structured.

- On **the EU side**, SAFE provides €150 billion in joint procurement loans, allowing Ukrainian companies to participate directly in procurement. The Ukraine Support Loan introduces a borrowing-and-lending mechanism, with €60 billion allocated to defence industrial capacity and procurement. The Ukraine Investment Framework helps make dual-use industrial projects

bankable through guarantees, grants, and technical assistance channelled through financial institutions. The European Defence Fund is now open to Ukrainian participation, while EDIP includes a dedicated €300 million Ukraine Support Instrument as part of its wider programme. These mechanisms are politically tied together under Readiness 2030.

- **On the NATO side**, the Support and Procurement Agency has expanded its role as an acquisition vehicle for Ukraine-related supplies. The Comprehensive Assistance Package now funds deliverables such as JATEC and NATO's share of UNITE-Brave NATO, the first joint NATO-Ukraine innovation programme. NATO DIANA is also beginning to open to Ukraine as its first non-NATO partner. Training and battlefield learning exchanges have also become more institutionalised. NSATU and JATEC, together with EUMAM and Operation Interflex, now form the main framework through which partner countries train Ukrainians and absorb lessons from Ukrainian combat experience.

Data exchange now runs in both directions, but not on equal terms. Ukraine's tool, **Brave1 Dataroom**, provides verified foreign partners with access to company and production data to accelerate due diligence, investment, and battlefield testing. Ukraine also shares battlefield experience through the **Test in Ukraine** programme, which tests technologies under real wartime conditions, gathers military feedback, and enables faster system adaptation. By contrast, the most operationally valuable flow, **foreign intelligence** and combat-data support to Ukraine, still depends mainly on bilateral channels, especially with the US and the UK, instead of a shared EU or NATO framework.

Overall, Ukraine's defence-industrial deal-making process is not a single-track procedure but a multi-tier system in which political, regulatory, procurement, innovation, and industry actors all perform separate functions. This structure is necessary given the sensitivity of defence cooperation, but it also **makes the process difficult for foreign partners to navigate**. Without a clearer project pathway, companies face uncertainty about who leads the process, which approvals are required, and how political support translates into contracts and production. A more **predictable institutional map**, clearer sequencing, and a single coordination window would reduce transaction costs, limit overlapping approval chains, and help move partnerships more quickly from initial interest to practical implementation.

Nonetheless, this influx of foreign state and private capital has made **due diligence** an important but sometimes challenged part of the cooperation with Ukrainian companies. Every source of funding, be it bank lending, partner-state funding, or private investment, requires companies to prove their reliability and financial and production capacity, while the disclosure needed for that verification can expose sensitive data on facilities, equipment, and supply chains. Ukrainian banks have moved towards documentary verification and, increasingly, reliance on certified internal quality-management systems such as ISO 9001 and AQAP 2110. Partner-state models, such as the Danish-style mechanism, focus more on whether the company can actually deliver weapons, with strong oversight, open-book pricing, production checks, and payment traceability. Private investors need legal, financial, ownership, and IP checks, but martial law and secrecy rules limit access to facility locations and technical details, while many defence-tech companies protect their know-how and are reluctant to patent sensitive technologies. The solution could be the use of classified-data rules, aggregated technical information, tiered supply-chain checks and internationally recognised.

Common roadblocks in Ukraine's defence-industrial cooperation with foreign partners show that complementarity alone is not enough to move from political announcements to serial production. Many constraints are shared by both Ukraine and partner countries: fragmented institutional

pathways, unclear implementation roadmaps, limited support infrastructure, regulatory uncertainty, export-control barriers, IP and technology-transfer risks, foreign currency restrictions, funding dependency, supply-chain vulnerability, and different certification or safety requirements. These issues complicate current cooperation because companies often have to navigate unfamiliar defence systems without clear guidance, predictable approvals, financing, or reliable component access. At the same time, they create a common reform agenda. Ukraine and its partners need to treat these roadblocks not as isolated administrative problems, but as areas for joint work: clearer coordination mechanisms, predictable legal and export procedures, better rules for IP and localisation, dedicated financing tools, support for regulatory adaptation, and cooperation not only in defence technologies but also in components, production inputs, repair capacity, and related markets. Addressing these shared constraints would help partnerships move beyond MoUs and pilot projects toward a more resilient, scalable, and commercially sustainable model of common defence-industrial integration.

Ultimately, the main problem with Ukraine's defence cooperation is the lack of a simple, predictable, and scalable system. The main bottlenecks are the lack of funding, unclear rules and administrative capacity, especially on the Ukrainian side. The deeper issue with export and partnership policy is the absence of a clear legal framework that tells companies and partner governments how the system is supposed to work over time. Ukraine needs clearer coordination, a visible "front door" for partners, stronger procurement and audit capacity, faster official procedures and stronger incentives for partner-state funding. The building blocks of a workable cooperation model already exist. But unless Ukraine and its partners turn them into a clearer, faster and more predictable system, too much cooperation will remain stuck between political announcements and real delivery.

To mitigate structural challenges and to make cooperation with Ukraine's defence sector more coherent, **it is recommended for partners:**

- to direct most state funding through a single coordinated channel, aiming for a consolidated, institutionally backed approach. Consider using the **Danish-style model** as the main backbone of state financing, since it combines direct funding, clear demand signals, and institutional coordination through Ukraine's DPA. Also, use the Danish-style model for procuring items restricted by the Ukraine Support Loan, which provides limited funding for products with 35%+ of components outside of Ukraine, the EU, or EEA/EFTA countries. **The Hybrid track** is more applicable to co-production, technology transfer, JVs, and supply chain integration projects. **Direct track** is better suited for fast niche projects;
- to build production funding around validated **battlefield demand**, choosing a **needs-based approach** and a jointly agreed priority list. Also, make **end-user feedback** mandatory and review funded products against battlefield performance;
- to **share your lessons learnt** with other actors and partners, practising common enquiry and knowledge exchange to understand a broader landscape and forge a more functional and less fragmented mechanism;
- to designate a **government-relations resource** to simplify entry into Ukraine – those could be coordinators, national contact points or experienced consultants on the Ukrainian market to guide companies to contract signing;
- to **simplify export controls**, introducing fast-track licensing procedures for components supplied under certified Build in/with Ukraine partnerships to avoid administrative delays;

- to develop **the Ukraine Investment Framework**, establishing a structural channel for Ukraine's industry's direct access to EU and partner-state financing, rather than case-by-case redirection of existing instruments.

To improve the cooperation pathways with allies, making the defence sector and production both more appealing for partners and more sustainable for the Defence Forces' needs, **it is recommended for Ukraine:**

- to create one **clear “front door”** for partners, establishing one visible coordination point for partner-funded defence production, as well as giving the dedicated governmental body an authority to route partners in B2B projects;
- to build up the **administrative capacity**, especially that of the Defence Procurement Agency, to handle large-scale financial programs. Consider increasing staffing to perform specific duties like contract management or audit support, and creating dedicated teams for overseeing different partnership tracks, state funding or B2B projects;
- to **increase incentives** for partner-state funding by integrating supply chain cooperation into this process. It would support Ukrainian production and return value to the allies' own industrial base;
- to **reduce the “backdooring” risks** by making the official route faster than the workaround, with clear target timelines for vetting, contracting, payment steps, etc. Spell out the transparent process, documents, decision points and responsible institutions for partners and manufacturers;
- to **codify the Build with Ukraine** model, which now rests on the 2003 export control law, plus separate intergovernmental agreements for each project. Consider adopting a legal instrument that defines eligibility rules, the financing/co-financing mechanism, the project lifecycle, etc. Replace demand-based control resting on an administrative decision with published criteria.

Eventually, the next step for partners and Ukraine is to turn a growing set of tools into a working mechanism that is predictable enough for governments and companies to use and effective enough to produce results where they matter most.

TABLE OF CONTENTS

STRATEGIC RATIONALE FOR DEFENCE COOPERATION WITH UKRAINE	9
EXISTING FRAMEWORKS FOR UKRAINE'S DEFENCE PARTNERSHIPS	11
Build in Ukraine	11
Build with Ukraine	17
Drone Deal	23
Partner States Funding	25
Export Issues	35
THE CURRENT LANDSCAPE OF DEFENCE PARTNERSHIPS	39
Trends and Patterns	39
Challenges and Implementation Gaps	43
ADDITIONAL PATHWAYS FOR DEFENCE COOPERATION	46
EU and NATO programmes	46
Joint Research and R&D Financing	52
Accelerators Open to Ukrainian Companies	53
Data Exchange: Brave1 Dataroom	56
Joint Training and Battlefield-Experience Exchange	58
Cooperation Gaps	60
PRACTICAL CONSIDERATIONS FOR COOPERATION WITH UKRAINIAN COMPANIES	64
Key Actors and Stakeholders in Defence Partnership Deals	64
Due Diligence Requirements and Risks in Ukraine's Defence Sector	70
COMMON DEFENCE SYSTEM CONSTRAINTS REQUIRING JOINT SOLUTIONS	78
Institutional Roadblocks	78
Regulatory and Legal Roadblocks	80
Financial and Supply-Chain Roadblocks	82
POLICY RECOMMENDATIONS	84
Recommendations for Partners Working with Ukraine	84
Recommendations for Ukraine to Improve the Cooperation Pathways	85

LIST OF ABBREVIATIONS

AFU – Armed Forces of Ukraine

B2B – Business-to-business

DFU – Defence Forces of Ukraine

DPA – Defence Procurement Agency

EW – Electronic Warfare

G2G – Government-to-government

IP – Intellectual Property

JV – Joint Venture

MoD – Ministry of Defence

MoU – Memorandum of Understanding

MRO – Maintenance, Repair and Overhaul

MSME – Micro, Small, and Medium Enterprises

NSN – NATO Stock Number

NSDC – National Security and Defence Council

R&D – Research and Development

SOE – State-owned Enterprise

SSU – Security Service of Ukraine

UAV – Unmanned Aerial Vehicle

STRATEGIC RATIONALE FOR DEFENCE COOPERATION WITH UKRAINE

Defence cooperation with Ukraine no longer revolves around simple military aid. Now, it is becoming a way for Ukraine and its partners to address real production, supply, and security problems. Since 2022, this relationship has shifted to bilateral cooperation pathways, supporting the Ukrainian defence sector, bringing foreign production into Ukraine, and even transferring Ukrainian technology into partner countries for joint production.

Ukraine now needs deeper defence cooperation because the demands of a long war of attrition cannot be met by aid deliveries alone. It needs a system that can produce more, repair faster, replace losses more reliably, and steadily connect battlefield demand with industrial output. In reality, it requires two parallel lines of effort. On the one hand, more defence production should be based in Ukraine to strengthen the economy, create jobs, reduce dependence on external deliveries, shorten supply chains, and bring foreign technologies and maintenance capacity into the country. On the other hand, the production should also be expanded abroad, allowing for more security in the face of Russia's strikes. It also gives Ukrainian companies access to safer manufacturing sites, helps integrate them into European and NATO-linked supply chains, and opens a more realistic path to scaling output, attracting investment, and reaching foreign markets. Cooperation with allies provides access to the necessary capital, maintenance networks and institutional channels that Ukraine cannot build fast enough on its own in the middle of war. So, ultimately, Ukraine needs cooperation as a practical way to deliver weapons and equipment to its Defence Forces (DFU) faster, while also building the industrial base to utilise during and after the war.

This logic works both ways, and cooperation is equally important for the partner side. Countries that work with Ukraine are also strengthening their own defence preparedness and industrial base. Ukraine offers what many partners currently lack: combat-proven technologies, fast engineering cycles, direct battlefield feedback, and real-world evidence of what actually works in high-intensity war. At the same time, partners possess capabilities that remain critically important for Ukraine, especially in areas such as air defence, advanced missile technologies, industrial scale and certification pathways. It makes cooperation structurally complementary. Ukraine can offer mass, adaptability, and proven drone technologies, including systems that create a strong cost asymmetry against far more expensive threats. At the same time, partners can provide the technologies, production depth, and institutional frameworks that Ukraine still lacks. Meanwhile, Ukraine is already being built into the wider European defence architecture, therefore, cooperation should consider current battlefield needs, as well as the longer-term question of how Europe and Ukraine within its system will strengthen defence and maintain deterrence. In that future division of roles, Ukrainian drones and other combat-tested systems may become one of the most valuable long-term contributions to European security.

Still, this agenda should go further than just celebratory language. Indeed, there is already interest, demand, willing partners, and even successful cases already in operation. But **cooperation still depends too much on manual effort, ad hoc deals, and the persistence of individual actors, rather than on a stable and predictable system** (as much as is possible in current circumstances). That is why the number of already announced partnerships does not reflect a working cooperation system. So, the puzzle this study addresses is how to turn scattered success stories into a functioning structure that is understandable to companies, credible to governments, and scalable enough to

matter for war efforts and longer-term European security. **Moving beyond aid** means building cooperation that can reliably translate shared political intent into production, procurement, technology transfer, and long-term industrial ties that serve both Ukraine and its partners.

EXISTING FRAMEWORKS FOR UKRAINE'S DEFENCE PARTNERSHIPS

- Since 2022, Ukraine's cooperation with partner states has been running via two models of bilateral industrial partnership: **Build in Ukraine** brings foreign production into Ukrainian territory, while **Build with Ukraine** takes Ukrainian technologies abroad for joint production.
 - The **Build in Ukraine** spans around **60** partnerships with Ukrainian manufacturers. Repair of Western-supplied equipment is the most developed segment, followed by localised production of artillery, ammunition, components and unmanned systems.
 - The **Build with Ukraine** spans around **41** partnerships in pipeline, based on bilateral intergovernmental agreements, with the initial output of joint production being supplied to Ukraine's army. Production is focused on unmanned systems, components, and several projects related to air defence, ground-based robotics, missiles, naval systems, and electronic warfare.
- Ukraine's defence industry depends on **export access**, as domestic procurement alone cannot sustain capacity or justify long-term foreign investment. Exports have only partially reopened, through controlled technology transfers under Build with Ukraine on a case-by-case basis.
- **Drone Deal** extends Build with Ukraine into a government-to-government (G2G) framework for parity production and controlled export: half the output supplies Ukraine's front line and half to the partner. This initiative has already expanded to around **20** countries, with the Netherlands, Latvia, Lithuania and Germany having already signed the agreement.
- **Partner states fund** Ukraine's defence industry directly through three pathways: the coordinated **Danish-style track** via the DPA (Denmark and some other states), a **Hybrid track** (Germany, Netherlands, Norway), and a **Direct track** with minimal coordination with Ukraine's government (US, UK, Sweden).
- The Danish-style coordinated model is the most **sustainable** for Ukraine, as it operates through national procurement bodies while maintaining international oversight. Hybrid and Direct tracks offer speed and flexibility, but are less suitable as the main framework for systemic defence-industrial development.

Build in Ukraine

Build in Ukraine is a state-led initiative coordinated by the Ministry of Defence of Ukraine, designed to attract foreign defence companies to establish production facilities directly on Ukrainian territory. Its strategic objective is to strengthen Ukraine's ability to manufacture and maintain modern weapons on its own soil, reduce dependence on complex and vulnerable transit supply chains, ensure the rapid delivery of equipment and materials to the Defence Forces of Ukraine, and enhance the resilience of the defence sector in the context of a protracted war. At the same time, the initiative aims to attract direct foreign investment, raise the technological level of the domestic defence industry, and facilitate the transfer of technology and manufacturing know-how, thereby transforming Ukraine from a recipient of military aid into a full partner in the joint production and development of defence technologies.

The initiative also offers distinct advantages for foreign partners. Ukraine is the only environment where Western defence technologies are being tested, adapted and refined at scale in a war, and a company that produces on Ukrainian territory gains direct, continuous access to battlefield feedback

that no test range can replicate. This shortens R&D (Research and Development) cycles: modifications that would take months through structured reporting from abroad can be implemented in weeks when the factory is located in Ukraine. Products validated in Ukrainian combat conditions carry greater credibility in any subsequent export market, giving the manufacturer a competitive edge globally. At the same time, for certain categories – ammunition, components, drone assembly – Ukraine offers lower engineering labour costs, existing industrial infrastructure and access to local raw materials, which can reduce unit production costs compared with Western European alternatives. For systems already in Ukrainian service, local maintenance and repair eliminates the need to ship damaged equipment back to Europe and wait for repair slots. With this approach, military units can wait for the necessary important platforms or parts for a fairly long period of time, which is critical in wartime. A foreign company that establishes MRO (maintenance, repair and overhaul) or production capacity in Ukraine therefore gains a structural procurement advantage: Ukraine's Defence Forces have a strong incentive to favour systems that can be serviced locally and quickly over those that depend on distant supply chains.

Key characteristics of the Build in Ukraine model:

- Foreign companies participating in Build in Ukraine must conduct actual production, maintenance and repair, research and development on Ukrainian territory.
- Companies can operate in various formats: establishing a wholly owned subsidiary in Ukraine or forming a joint venture (JV) with a Ukrainian defence company. Memoranda of understanding and cooperation agreements represent an early engagement stage rather than full participation, as they do not in themselves establish Ukrainian-based operations.

As of June 2026, the most operationally active segment of Build in Ukraine consists of maintenance and repair facilities for Western-supplied equipment, including air-defence, artillery systems and armoured platforms. Localised manufacturing is most developed in artillery and GMLRS systems, ammunition, components and unmanned systems, while production of air-defence systems and armoured vehicles remains at an early stage, typically the memorandum level (e.g. Saab for air defence, Rheinmetall's Lynx for armoured vehicles).

While the Ministry of Defence (MoD) publicly announced Build in Ukraine on its official website on 22 October 2025¹, the localisation process it describes had been underway informally since 2023, driven by bilateral G2G agreements, MoD facilitation, and commercial interest rather than a structured programme. The **41** foreign companies now operating across Ukraine's defence sector together account for **60** distinct partnerships with Ukrainian manufacturers, as several firms work with more than one Ukrainian partner; a significant share of them entered the Ukrainian market before the formal launch.

To participate in the program, a foreign company is not required to have **an intergovernmental agreement** or **a Ukrainian partner**; that is, a foreign company may independently register a legal entity in Ukraine and operate in accordance with general Ukrainian corporate and tax laws. Activities in the defence sector are partially licensed: licenses are required for the production, development, repair, and supply of weapons and ammunition, as well as the handling of explosives and special equipment; while certain areas (such as the development of software or components) may be carried out without a license. Next, the company must undergo state testing, certification, and, in most cases,

¹ See "Build in Ukraine: an initiative driving the localization of international companies in Ukraine", [Ministry of Defence of Ukraine](#)

NATO Stock Number (NSN) codification, which is typically required for participation in state defence procurement. In certain cases, military units and brigades may procure equipment directly without a formal NSN, particularly when purchasing under specific in-house procedures or for immediate operational needs. Additional elements of the model include compliance with export control procedures, the use of tax incentives, as well as adherence to heightened requirements for financial monitoring and state oversight.

Selected examples of foreign company localisation in Ukraine

The examples below illustrate the involvement of foreign companies under the Build in Ukraine model or share similar characteristics with this initiative. However, these examples vary significantly in maturity. Some projects are already being implemented and show tangible progress in localisation, while others remain at an early agreement stage and face delays due to funding gaps and limited institutional capacity.

Operational: production or MRO

BAE Systems (United Kingdom) established its Ukrainian office in August 2023 marking the start of its direct presence in Ukraine during the full-scale war. In April 2024, the company signed an agreement with the UK Ministry of Defence to provide MRO services for L119 105mm howitzers in Ukraine². By March 2026, four UK-operated MRO facilities are operational inside Ukrainian territory, with a fifth planned. The facilities service a range of Western-supplied platforms, including CVR-T armoured personnel carriers, Husky tactical support vehicles, AS-90 self-propelled artillery systems, and L119 howitzers. The sites also support Swedish-supplied Archer artillery platforms³.

Excalibur Army (Czech Republic) opened a representative office in Kyiv to support joint manufacturing with Ukrainian partners. The company's core localisation project involves joint production of 155 mm and 105mm NATO-standard artillery ammunition with Ukrainian Armor LLC, based on an MoU signed in 2024, with production launch planned for 2025. Localisation is set to reach 50% at launch and scale to 80% over time. Ukraine accounted for 42.8% of the Czechoslovak Group's total revenue in 2024, making it one of the group's most important markets⁴.

Quantum Systems (Germany) has developed its engagement in Ukraine in several stages, moving from equipment deliveries to a deeper local industrial presence. The company's Vector reconnaissance drones have been in operation in Ukraine since 2022. To support these deliveries, Quantum Systems opened a local Service, Support, Training and Logistics Centre in Ukraine in 2023, providing operator training, maintenance support, spare parts and repair services⁵. This was followed in April 2024 by the opening of a factory and development hub in Ukraine⁶. In 2026, Quantum Systems further deepened cooperation through German-Ukrainian joint ventures under the Build with Ukraine initiative.

² See "UK government, BAE Systems sign agreements to repair equipment in Ukraine", [The Kyiv Independent](#)

³ See "Press release: UK reveals military maintenance facilities in Ukraine for first time", [GOV.UK](#)

⁴ See "Excalibur Army sets up operations in Ukraine to boost collaboration and kick off domestic shell production", [CSG](#)

⁵ See "Ministry of Defense (MoD) of Ukraine orders additional 300 Vector™ drones from Quantum Systems", [Quantum Systems](#)

⁶ See "Vice Chancellor Robert Habeck opens drone factory and development hub of Quantum Systems during delegation trip to Ukraine", [Quantum Systems](#)

NAMMO (Norway) has agreed to establish joint production of critical artillery ammunition in Ukraine in cooperation with Ukrainian manufacturers, with Norway providing technology, engineering solutions, and components, while Ukraine provides production facilities and logistics⁷.

Active engagement: projects in progress

ORQA (Croatia) – first publicly confirmed partnership under the Build in Ukraine framework. Ukrainian drone developer General Cherry and Croatian company ORQA announced in April 2026 the launch of joint drone component production in Ukraine, with a large underground facility already under construction. In parallel, the two companies are launching serial production in Croatia focused on advanced drone technology development. General Cherry aims for full localisation of component production in Ukraine, with first joint products expected in the near term. ORQA manufactures drones and components entirely without Chinese-sourced parts – a key differentiator in the current supply chain environment⁹.

ZenaTech (Canada) announced plans in April 2026 to establish a production facility in Ukraine as the primary manufacturing hub for its Interceptor P-1 counter-UAS drone, priced at under USD 5,000 per unit. The company is simultaneously establishing a drone testing centre in Ukraine to validate systems under real operational conditions – active drone warfare and complex threat environments that cannot be replicated in laboratory or controlled airspace settings. Legal setup, recruitment, and test permit coordination with Ukraine's Armed Forces (AFU) and State Aviation Authority are already underway¹⁰.

Rheinmetall (Germany) registered a joint venture – Rheinmetall Ukrainian Defence Industry LLC – with Ukroboronprom in October 2023. A maintenance and repair hub in western Ukraine was formally inaugurated in June 2024 in the presence of senior government representatives from both countries. The facility was intended to service German-supplied platforms, including Marder infantry fighting vehicles, with planned expansion to Leopard 1 and Leopard 2 tanks¹¹. In parallel, Rheinmetall has committed to constructing an ammunition production facility in Ukraine with an annual capacity of 300,000 155mm artillery shells, expected to reach operational status within 12 to 14 months of its 2025 commencement¹². As of early 2026, construction has not commenced – delayed first by permitting issues, then by a Ukrainian government decision to change the facility's location. The company's CEO has cited unresolved regulatory and organisational questions as ongoing constraints¹³. In December 2025, the company signed a contract, fully funded by the German government, for an initial batch of five Lynx KF41 infantry fighting vehicles, with first deliveries expected in early 2026. Localisation of Lynx production in Ukraine has been agreed in principle, contingent on future orders reaching 200–300 units and subject to funding confirmation¹⁴.

KNDS (France/Germany) established a local subsidiary – KNDS Ukraine LLC – in Kyiv following a joint French-German government initiative. The subsidiary provides MRO services for KNDS-produced equipment in active use with Ukraine's Defence Forces, including Leopard 1 and 2 tanks, CAESAR and PzH 2000 artillery systems, and AMX-10RC armoured vehicles. Initial production

⁷ See “Ukraine and Norway will begin joint production of the most scarce artillery ammunition”, [Fbc.biz](#) [ua]

⁸ See “Ukraine and Norway Launch Joint Production of Long Range 155mm Artillery Shells”, [United24](#)

⁹ See “General Cherry and Croatian ORQA launch joint drone component production in Ukraine”, [Defender Media](#)

¹⁰ See “Canadians plan to open a test centre and production of interceptors in Ukraine”, [Oboronka Mezha](#)

¹¹ See “A powerful partner at Ukraine's side”, [Rheinmetall](#)

¹² See “Ukraine's Rheinmetall Ammo Plant Could Be Operational in 12–14 Months”, [Militarnyi](#)

¹³ See “Construction of Rheinmetall's shell plant in Ukraine postponed again: reasons”, [Unian](#) [ua]

¹⁴ See “Rheinmetall to Deliver First Lynx IFVs to Ukraine in Early 2026”, [Militarnyi](#)

activity focuses on localising spare parts manufacturing to accelerate repair turnaround; joint production of 155mm artillery ammunition is planned, with full system production envisaged as a longer-term objective¹⁵.

Early stage: agreements and MoU signed

Northrop Grumman (United States) signed an agreement in 2024 for the joint production of medium-calibre ammunition in Ukraine, becoming the first US defence company to manufacture weapons inside Ukrainian territory during the active phase of the war¹⁶.

Saab (Sweden) signed a memorandum of understanding (MoU) with Ukrainian company Radionix in March 2025, covering strategic cooperation in sensors and defence electronics – combining Radionix expertise in radar and optical targeting equipment with Saab's defence industry experience¹⁷. Subsequently, the Ukrainian MoD announced Saab's participation in the Build in Ukraine initiative, with agreements reached for joint production of air defence systems in Ukraine¹⁸.

Kongsberg Defence & Aerospace (Norway) opened an office in Kyiv and is in advanced negotiations to establish a joint venture with Ukrainian industry. The primary objective is scaling production of interceptor missiles for the NASAMS air defence system based on Ukrainian technology, with a target of hundreds of units. In the longer term, Kongsberg aims to integrate Ukrainian-developed interceptors into NASAMS supply chains, positioning Ukraine as a component of broader European air defence production. A second cooperation track covers joint development of unmanned surface vessels equipped with Kongsberg combat modules. Both directions are funded by the Norwegian government¹⁹.

Shark Robotics (France) – another example of a dual-track partnership spanning both models. Tencore and French company Shark Robotics signed a MoU to collaborate in the field of ground robotics for defence and security. The partnership includes two joint ventures with localisation in two countries: in France, focused on the development and production of defence robots, including logistics and medical evacuation platforms; and in Ukraine, covering maintenance, training and the gradual localisation of components within the wider European supply chain²⁰.

Challenges and limitations

Despite the growing number of foreign companies establishing a presence in Ukraine, Build in Ukraine faces several structural constraints that limit the initiative's scalability and predictability for potential partners.

Security risks for localisation

Establishing and operating production facilities in an active war zone exposes foreign companies to the threat of missile and drone strikes on industrial assets, significantly complicating project financing and insurance. Existing state insurance mechanisms through the Export Credit Agency and international institutions such as the Multilateral Investment Guarantee Agency (MIGA) and the Development Finance Corporation (DFC) currently have limited capital and do not fully cover the

¹⁵ See “KNDS opens a subsidiary in Ukraine”, [Militarnyi](#)

¹⁶ See “Northrop Grumman finalizes deal to coproduce ammo in Ukraine”, [Breaking Defense](#)

¹⁷ See “Saab and Radionix sign memorandum of understanding for cooperation in sensors and defence electronics”, [Saab](#) [ua]

¹⁸ See “Saab to Jointly Produce Air Defense Systems With Ukraine”, [Militarnyi](#)

¹⁹ See “Kongsberg to develop missiles and drone boats in Ukraine”, [Kongsberg](#)

²⁰ See “Ukraine's Tencore signs cooperation agreement with France's Shark Robotics”, [Defender Media](#)

needs of large defence manufacturers. As a result, companies are compelled to adopt additional protective measures such as constructing underground facilities or decentralising storage which substantially raise entry costs and unit production costs.

Fragmented regulatory framework

Although Ukraine has a general legal framework for establishing companies, and foreign companies can register a Ukrainian legal entity and operate under standard corporate procedures, there is no structured program specifically designed for Build in Ukraine. There is no clearly defined process to guide a project from initial interest to the first serial product, no special mechanism to facilitate investment, and no single body responsible for supporting foreign companies throughout this process. This creates uncertainty for companies unfamiliar with the Ukrainian regulatory environment.

Questions of technology transfer and intellectual property (IP) rights within joint production arrangements remain unresolved – particularly where Western-supplied systems have undergone significant adaptation by Ukrainian engineers.

Export regulations

Foreign companies that establish or localise production in Ukraine remain subject to Ukraine's domestic export control framework. Since there is currently no dedicated regulatory regime for Build with Ukraine, such entities fall under the general rules governing the export of dual-use and military goods. This creates uncertainty over the long-term development path of these projects. While focusing exclusively on the Ukrainian market may be viable at the initial stage, the absence of a clear export mechanism may later constrain companies' ability to scale production, attract investment, and integrate Ukrainian-based facilities into wider international supply chains.

Component dependency

Even where production is localised in Ukraine, most projects remain critically dependent on imports of high-technology components including microelectronics, optical systems, sensors, and precision parts. As the supply of these components is governed by strict export controls in partner countries, production volumes in Ukraine are effectively constrained by external political decisions. This dependency creates supply chain vulnerabilities whereby any delays at the border or shifts in international export control policy directly affect Ukraine's ability to scale output.

Funding

When considering joint production with a Ukrainian partner, many projects can only be implemented if they are funded by a donor government, as the Ukrainian market itself is still too limited to support large defence industry projects on a commercial basis – and without a confirmed government contract, all production facilities are left idle: capacity is being expanded, but no orders are coming in. At the same time, when a foreign company independently establishes production in Ukraine, just like Ukrainian manufacturers, due to export controls, its products may face difficulties in accessing international markets and obtaining export licences, which makes uncertainty for foreign companies regarding the return on investment.

Institutional incapacity

Another constraint is institutional incapacity on the Ukrainian side. Ukraine publicly invites foreign companies to enter the market and promotes the Build in Ukraine initiative but has not yet provided

a reliable institutional pathway to help them enter the market, navigate regulations, obtain permits, licensing procedures, export controls, testing, coordination with multiple government agencies and other administrative barriers. Unlike some more mature investment systems, such as UkraineInvest or Investment Nanny mechanisms, the Build in Ukraine programme still lacks a fully developed institutional mechanism to manage such projects from announcement to implementation.

Lack of reliable Ukrainian partner

When Ukrainian companies establish joint ventures abroad, the foreign partner typically takes responsibility for navigating the local regulatory and bureaucratic environment and move the project forward. In Ukraine, this mechanism does not work, particularly when potential partners are state-owned enterprises with limited managerial flexibility and complex approval procedures, which can delay investment and operational decisions.

The Rheinmetall ammunition factory case directly illustrates this. The company signed a contract to build a 155mm shell production facility in Ukraine – a project type it has delivered in Germany within 15 months and in Hungary within approximately 18 months. The facility was to be developed jointly with state-owned Ukroboronprom, where investment decisions require multiple layers of government approval without a dedicated coordination mechanism. In Ukraine, over two and a half years after signing, construction has not begun. The delays have been attributed successively to Ukrainian bureaucracy, a government decision to relocate the planned site, and unresolved regulatory questions. Equipment for the facility is reportedly ready; the bottleneck lies entirely on the Ukrainian side. Production is now not expected before 2027 at the earliest.

A contrasting case involves two private companies Ukrainian Armor and Czech Excalibur Army. Unlike the Rheinmetall project, the partnership required no state coordination mechanism: Ukrainian Armor invested up to UAH 1 billion of its own capital, built the facility, and passed state inspection. The facility is capable of producing 250 000–300 000 shells annually. Production is ready, and the Ministry of Defence has confirmed its capabilities. However, due to the lack of government orders, production has come to a standstill. Consequently, localisation in the private sector may proceed more quickly than government projects, but it remains equally dependent on government demand in order to get started²¹.

Build with Ukraine

Build with Ukraine was publicly announced by President Volodymyr Zelenskyy on 20 June 2025²². The programme is designed for joint production of Ukrainian-designed weapons and defence technologies on the territory of partner states. The initiative aims to strengthen Ukraine's defence capabilities, attract investment, and integrate Ukraine's defence-industrial complex into the European defence ecosystem. The first bilateral agreements under the initiative were signed immediately following the announcement, notably with Denmark, with the United Kingdom, Germany, the Netherlands, Norway, and Lithuania following shortly after.

For partner countries, Build with Ukraine addresses several needs simultaneously. First, it provides access to technologies that partners lack or cannot develop fast enough on their own. Ukrainian companies have built and battle-tested capabilities in areas where most European industries are still

²¹ See “From drones to artillery. How one of the largest arms companies, Ukrainian Armor, works”, [Oboronka Mezha](#) [ua]

²² See “Ukraine to Launch Defense Exports Under ‘Build with Ukraine’ Program”, [Scroll Media](#)

at early stages – FPV strike drones, long-range unmanned systems, naval drones, electronic warfare, and AI-enabled targeting. Co-producing these systems through joint ventures gives the partner not just a product but the underlying engineering and operational knowledge, which strengthens its own industrial base. Second, it builds the partner's own defence capabilities. Under the model, the partner retains a portion of manufactured systems for its own armed forces in subsequent contract phases – effectively gaining production capacity in categories it did not previously manufacture, built on Ukrainian combat experience and engineering. Third, Build with Ukraine offers a politically sustainable justification for defence spending on Ukraine. Unlike one-directional aid, the model returns tangible value to the partner's economy – manufacturing jobs, new production lines, revenue for domestic firms, and integration of partner-made components into jointly produced systems. This gives partner governments a stronger domestic case for continued funding, as the expenditure visibly benefits the partner's own industry and security. Finally, for partnerships where initial output goes to Ukraine's Armed Forces, the systems that partners subsequently retain have already been validated in combat. This allows partners to field equipment with a proven performance record and represents a significant competitive advantage if the partner intends to export these systems further.

Key characteristics of the Build with Ukraine model:

- A bilateral intergovernmental agreement between Ukraine and a partner country is a prerequisite.
- Joint production of Ukrainian-designed weapons and defence technologies on the territory of partner states.
- The partner country provides funding primarily from its own resources.
- Most manufactured systems, in practice, all production under initial contracts, are purchased by the partner country and transferred to the Ukrainian Defence Forces as security assistance.
- Partner countries retain a portion of the manufactured systems for their own defence needs in subsequent contract phases.
- Export of Ukrainian technologies and integration of Ukrainian expertise into allied supply chains in accordance with NATO standards.

Across the initiative, Build with Ukraine currently spans some **41** partnerships in the pipeline, each based on a bilateral intergovernmental agreement and implemented through direct business-to-business (B2B) joint ventures, across a range of product categories – predominantly unmanned systems, alongside ground robotics, missiles, naval systems, electronic warfare, components and air defence. The initiative establishes a political and legal framework for opening exports within allied cooperation, enabling arrangements that serve the interests of both parties: Ukraine's Defence Forces receive weapons and equipment, while international partners contribute financing and gain access to battle-tested Ukrainian defence technologies.

Partnership examples

The partnerships presented below reflect varying degrees of compliance with the Build with Ukraine model. Confirmed partnerships are those that are officially defined within the Build with Ukraine program and meet its main criteria: a bilateral intergovernmental agreement, a company-level contract, funding by the partner country, and a commitment to supply the manufactured systems to the Ukrainian Defence Forces. Other partnerships have similar features to the Build with Ukraine model, but without full public confirmation of all criteria.

Denmark signed a letter of intent in June 2025 to establish Ukrainian defence production on Danish territory²³. Subsequently, Copenhagen Global A/S and Culver Aerospace signed a five-year agreement covering production of long-range strike unmanned aerial vehicles (UAVs) (up to 2,500 km) and medium-range systems (up to 400 km)²⁴.

Norway agreed to launch joint drone production, with Ukraine contributing battlefield-tested innovation and Norway providing manufacturing base and research and development capacity²⁵. In April 2026, the two countries signed a follow-on agreement for the production of several thousand mid-strike drones on Norwegian territory, fully financed by Norway, with all units to be transferred to Ukraine's Defence Forces²⁶.

Netherlands signed an agreement for joint production of Ukrainian drone systems across both countries, with the Netherlands acting as the purchasing entity and transferring all finished units to Ukraine's Defence Forces²⁷. In April 2026 under the other arrangement, VDL Group's facility in Born, Limburg will produce both strike and surveillance drones in partnership with Ukrainian company Greentech Harvest – specifically the K4 deep strike and medium-strike Baton drone models²⁸.

United Kingdom signed a licensing agreement for mass production of Ukrainian Octopus interceptor drones on British territory, targeting several thousand units per month. All manufactured units are to be transferred to Ukraine's Defence Forces for air defence reinforcement²⁹.

Germany is the most active partner by industrial volume. Quantum Frontline Industries (QFI), a joint venture between Quantum Systems and Frontline Robotics, produces Ukrainian Linza and Zoom reconnaissance drones in Germany with annual output exceeding 10,000 units³⁰. In February 2026, three additional joint ventures were announced at the Munich Security Conference: Auterion Airlogix GmbH for AI-guided combat UAVs; Wingcopter Security & Defence in partnership with TAF Industries for reconnaissance drone production³¹; and FERNRIDE and Tencore for production of TerMIT unmanned ground vehicles, combining Ukrainian combat experience with German autonomous systems engineering. All manufactured systems are to be supplied to Ukraine's Defence Forces³². In April 2026, six additional Ukrainian-German partnerships were signed at the Ukrainian Embassy in Berlin under the Build with Ukraine framework: Helsing and Culver Aerospace agreed on joint development and production of deep-strike drones at a facility in Germany, with production financing provided by the German government; Fire Point signed a technology cooperation agreement with Diehl, a developer of air defence systems including IRIS-T; TAF Industries signed an MoU with Thyra for a joint venture producing UAV interceptors; Ukraviasystem and POINToX signed an MoU for joint production of rocket and aviation systems; WIY Drones and Quantum Systems agreed

²³ See “Ukraine and Denmark have signed an agreement to establish Ukrainian defense production in Denmark”, [Ministry of Defence of Ukraine](#)

²⁴ See “Ukrainian Defense Firms Secure 800 Million Euro Investments with European Partners”, [Mezha](#)

²⁵ See “Ukraine and Norway launch joint production of Ukrainian drones”, [Ministry of Defence of Ukraine](#)

²⁶ See “Ukraine and Norway launch joint production of mid-strike drones”, [Kyiv Post](#) [ua]

²⁷ See “Ukraine’s Defence Minister announces launch of joint Ukrainian–Dutch drone production”, [Ministry of Defence of Ukraine](#)

²⁸ See “Ukraine and the Netherlands officially launched joint production of drones: details”, [Apostrophe](#) [ua]

²⁹ See “Ukraine and the United Kingdom conclude licensing agreement for large-scale production of the Octopus interceptor drone”, [Ministry of Defence of Ukraine](#)

³⁰ See “Ukrainian-German QFI ships first Linza 3.0 drones to Ukraine”, [Oboronka Mezha](#)

³¹ See “Ten Ukrainian Drone Factories to Launch Across Europe in 2026, Where They Will Be Located and Why It Matters”, [Defense Express](#)

³² See “Ukrainian UGV manufacturer Tencore has launched a joint venture with Germany’s FERNRIDE”, [Defender Media](#)

to establish a joint venture for production of anti-Shahed interceptors; and Tencore concluded a further agreement with Quantum Systems for scaling unmanned ground systems production³³.

Finland concluded two agreements as part of an EUR 800 million package signed alongside Danish and Latvian partners. Insta and Tencore agreed on strategic cooperation and localised production of TerMIT unmanned ground vehicles in Finland. Separately, New Paakkola Oy and Remtecnology established a joint venture in Finland to scale the LEGIT tactical multi-purpose robotic platform, with an initial production target of 1,500 units for Ukraine's military.

Latvia – SIA Baltic Forces and Terminal Autonomy Ukraine signed a framework agreement covering reconnaissance and strike UAVs, cruise missiles, and air defence solutions³⁴. Two additional trilateral memoranda were signed: the first brings together Roboneers, SUBmerge Baltic, and Baltic Forces, combining Ukrainian combat robotics expertise with Latvian capabilities in underwater and specialised systems; the second connects Roboneers and Baltic Forces with ground robotics manufacturer NATRIX, focused on unmanned ground vehicles and remote weapon stations³⁵.

Czech Republic – a joint venture between Pavetra Aerospace and Ukrainian company Ukrainiska Bavovna was established in the Czech Republic, focused on production of the Shuhai strike UAV and a jointly developed jet-powered interceptor drone. Legal work on the joint venture has been completed, with combat trials of both models planned in the near term³⁶.

Spain formalised cooperation through a series of agreements. Sener Aerospace & Defence signed agreements with Ukrainian companies Fire Point, the State Kyiv Design Bureau Luch and Radionix, covering production and development of drones, radar systems, communications, air defence, and missile technologies³⁷. Ukrainian armoured vehicle manufacturer Praktika also signed a MoU with Spanish companies TECNOVE and Escribano Mechanical & Engineering for joint production of armoured vehicles at a facility near Madrid with finished vehicles to be supplied to both Ukraine and Spain³⁸.

United States formalised engagement through an agreement between General Cherry and Wilcox Industries for joint production of FPV and interceptor drones at a US facility, with joint venture registration pending government approval³⁹.

Japan entered through Terra Drone Corporation's investment in Amazing Drones, establishing an R&D centre in Ukraine focused on interceptor drones and autonomous systems, with a total investment of \$10 million⁴⁰. In a subsequent investment, Terra Drone acquired a stake in Ukrainian drone developer WinnyLab and jointly unveiled the Terra A2, a fixed-wing interceptor drone designed for air surveillance and long-range interception⁴¹.

³³ See "Six Ukrainian arms manufacturers to create joint ventures with German companies", [DOU](#) [ua]

³⁴ See "Build with Ukraine: Defense Tech Giants Ink €800 Million Expansion Deals", [Tech Ukraine](#)

³⁵ See "Build with Ukraine: Defense Tech Giants Ink €800 Million Expansion Deals", [Tech Ukraine](#)

³⁶ See "'Ukrainska bavovna' and Czech company Pavetra Aerospace to produce Shuhai UAV through joint venture", [Defender Media](#)

³⁷ See "The President Met with the Leadership of the Spanish Sener Group to Discuss Strengthening Ukraine's Air Defense", [President of Ukraine](#)

³⁸ See "Ukrainian Praktyka will produce armored vehicles together with Spanish companies", [Oboronka Mezha](#)

³⁹ See "Ukrainian 'General Chereschnya' and American Wilcox will create a joint production of drones in the USA", [Ain](#) [ua]

⁴⁰ See "Japanese company Terra Drone will create an R&D center in Ukraine", [DOU](#) [ua]

⁴¹ See "Japan's Terra Drone invests in Ukrainian WinnyLab and unveils new Terra A2 drone", [Defender Media](#)

Portugal signed a partnership statement for joint production of naval drones, with procurement to be facilitated through the SAFE mechanism⁴².

Challenges and limitations

Unclear regulatory framework

Build with Ukraine rests on a single legislative principle. The cross-border transfer of technology that underpins every joint production agreement falls under Ukraine's export control regime – the Law on State Control over International Transfers of Goods of Military Purpose and Dual Use (No. 549-IV of 20 February 2003)⁴³, which treats technology as one of the categories of controlled goods. This regime, however, predated the initiative and was created for general transfers, not for the partnership model that the leadership now regards as its priority channel. Beyond this, no instrument codifies the initiative itself.

There is no legal act defining which partner countries are eligible to participate, the requirements for partners, the mechanism for financing or co-financing joint projects, or the procedure for engaging Ukrainian and foreign authorities. As no general framework exists, each partnership is negotiated as a separate document, and the financial terms vary accordingly: in one case, for example, a company transfers its technology and the partner finances the entire cost of production, while in another the parties own the enterprise on a 50/50 basis. The model thus has no systemic character – each case creates its own arrangement, and with it its own inequality between the parties.

There is likewise no standardised "entry point" to the programme. In practice, a foreign government initiates the cooperation, after which the Ministry of Defence assesses the proposal and consults the General Staff as to whether the product is needed by Ukraine's Defence Forces. A company that meets a current requirement gains access, but this demand-based control rests on an administrative decision rather than on any published criteria. The model also fails to account for a project's lifecycle: even when an order is placed – a fixed batch produced abroad and delivered back to the Ukrainian Defence Forces – the authorisation extends only to that quantity, and the legal framework does not define how production facilities are to operate once the initial order has been fulfilled, whether output may be exported to third markets, or how the transferred technology may subsequently be used.

In effect, all these matters are settled at the level of the intergovernmental agreement concluded for each individual project. It is this agreement, rather than general legislation, that remains the only instrument holding the cooperation together. Yet an intergovernmental agreement fixes the terms of a specific arrangement rather than establishing a procedure: it determines how the parties will act within that particular project but creates no rule applicable to subsequent ones. As a result, each new agreement begins afresh, and the terms themselves remain a matter of discretion in every case – which makes the model workable in individual instances but unpredictable as a systemic policy instrument and uneven across different partners.

Intellectual property protection

Ukrainian companies transferring technology under Build with Ukraine face several IP (intellectual property) risks:

⁴² See "Denys Shmyhal holds talks on security cooperation with Portugal's Minister of National Defence", [Ministry of Defence of Ukraine](#)

⁴³ See "Law of Ukraine on State Control over International Transfers of Military and Dual-Use Goods", [Verkhovna Rada \[ua\]](#)

The first is the absence of formal IP registration. Many private Ukrainian defence companies developed battle-tested solutions rapidly under wartime conditions without formally registering their intellectual property. Transferring unregistered technology creates legal exposure: in the event of a dispute, the Ukrainian company may lack the documentation to assert its rights in a foreign jurisdiction. A well-structured agreement with clearly defined ownership of any future IP created during the cooperation, including jointly developed adaptations, can partially mitigate this risk and provide important additional protection.

The second, Ukraine has no regulatory framework governing the licensing of state-owned IP: where a product licence exists, any component modification requires restarting the full licensing process from scratch – effectively treating each update as a new application and significantly extending the time to obtain approval. The Octopus interceptor drone partnership with the UK created the first precedent for licensing state-owned defence technology under an intergovernmental agreement. The transfer was made possible by the MoD's establishment of a dedicated IP Office in May 2025, which ensured legal protection of the technology in Ukraine, filed an international patent application, and oversaw the licensing agreement with the UK MoD signed in November 2025. This precedent opens new possibilities for bilateral defence technology exchange, but the regulatory framework that should systematize such transfers beyond individual cases has yet to follow⁴⁴.

In April 2026, the Cabinet of Ministers approved a national intellectual property management policy for the defence-industrial complex, which requires the creation of a single registry of defence R&D results and military technologies⁴⁵. While this represents significant institutional progress, the policy remains at an early stage of implementation, and until the registry is operational, foreign partners cooperating with the Build with Ukraine program continue to operate without reliable mechanisms to verify the intellectual property they license.

Legal ambiguity of technology export

Ukraine's arms export regime was effectively suspended at the onset of full-scale war, with all production directed to the frontline. Build with Ukraine currently represents the primary available channel through which Ukrainian defence companies can access foreign markets and international financing. In practice, this applies to technology transfer within joint production arrangements. The standard licensing process requires approvals from multiple institutions including the MoD, Security Service of Ukraine (SSU), Foreign Intelligence Service, Ministry of Foreign Affairs, and the State Export Control Service of Ukraine with each application reviewed individually. No streamlined procedure specific to Build with Ukraine partnerships currently exists, creating bureaucratic bottlenecks that constrain both the speed and scale of the initiative's implementation.

The Airlogix case illustrates that the company spent two years navigating the State Export Control Service of Ukraine procedures – required to register not just the drone as a product, but all internal components and underlying technology. Obtaining Cabinet of Ministers authorisation for export rights was a separate and lengthy process; without it, companies must use state-authorized export intermediaries who charge up to 10% commission. The current licence covers only a specific project in Germany: if Airlogix seeks to expand to another partner country, the full State Export Control Service of Ukraine procedure must be restarted from scratch.

⁴⁴ See “Ukraine demonstrates Octopus drone-interceptor to UK delegation”, [The Odessa Journal](#)

⁴⁵ See “On approval of the intellectual property management policy in the defense-industrial complex of Ukraine”, [Verkhovna Rada](#) [ua]

Restrictions on foreign currency transfers

Ukrainian companies seeking to invest in joint ventures abroad face restrictions imposed by the National Bank of Ukraine on foreign currency transfers, which limit their ability to move capital out of the country. The Fire Point case illustrates this directly. To establish a subsidiary in Denmark FPRT ApS and form its EUR 20 million share capital, the company required a separate Cabinet of Ministers resolution petitioning the National Bank of Ukraine (NBU) for a special permit to conduct a cross-border currency transfer, as NBU restrictions introduced under martial law did not permit such an operation under standard rules⁴⁶. This means that any Ukrainian company wishing to contribute equity to a foreign joint venture must undergo not a standard procedure, but a special approval process. In practice, this limits Ukrainian companies' financial participation in Build with Ukraine partnerships and increases their dependence on funding from the partner country as the sole source of investment.

Drone Deal

The official state initiative Drone Deal was originally developed in line with stringent US defence standards as a large-scale framework programme with a potential volume of up to \$50-55 billion. It envisaged the creation of a secure export infrastructure for Ukrainian miltech technologies as part of a strategic exchange for American anti-ballistic missile defence assets (specifically Patriot systems) under a strict "China-free" standard (the complete exclusion of Chinese components). As the dialogue with the US shifted into a long-term horizon, the concept underwent significant changes and transformed into a universal international programme, becoming the logical evolutionary continuation and next developmental stage of the previous state model – Build with Ukraine.

In the course of this evolution, the Build with Ukraine model logically progressed into the larger-scale **Drone Deal** format, transforming into a far deeper and more comprehensive model of industrial integration. From a legal standpoint, building upon already signed bilateral inter-state security agreements, the Drone Deal format introduced a system of special framework government-to-government (G2G) agreements under which ministries and defence companies conclude specific commercial contracts and licensing agreements.

The primary legal novelty and distinction from previous formats is that these licensing agreements establish a bilateral mechanism for parity production and controlled defence export. The model involves a distributed launch of manufacturing capacities: the foreign partner's funding is directed both towards utilising and expanding production lines inside Ukraine and deploying joint production within the partner nations' territories. Concurrently, the foreign state secures a legally binding right to systematically receive and export its share of the finished output.

Substance and economic logic of the programme

The main objective of Drone Deal is to transform traditional international military aid into a fully-fledged strategic partnership to protect civil and critical infrastructure from mass attacks (focusing on interceptor drones, electronic warfare (EW) systems, air defence, and military software).

The economic logic of the initiative is based on attracting foreign investment to utilise the internal surplus capacity of the Ukrainian defence industry, which in certain weapon categories reaches 50%

⁴⁶ See "Order on submission of a petition to the National Bank for the granting of an individual permit to "FIRE POINT" Limited Liability Company to conduct a cross-border transfer of currency values", [Verkhovna Rada](#) [ua]

due to the financial deficit of the state budget. Cooperation is built on the principle of establishing joint ventures and a parity distribution of capacity under a **50/50** formula:

- **50%** of the manufactured products are sent directly to the Ukrainian frontline to meet the operational needs of the Defence Forces of Ukraine.
- **50%** of the produced surplus volume is transferred to the partners to cover the requirements of their national armed forces and build up strategic reserves.

Special export regime for the Drone Deal

In July 2026, the Cabinet of Ministers of Ukraine adopted **Resolution No. 875**⁴⁷ establishing a new export regime. This regime will regulate exports to countries that have signed international treaties or other bilateral documents with Ukraine. "Drone Deal" agreements fall under this category, and a **simplified export procedure** has now been created for them. At the same time, the arms export process outside of the Drone Deal framework remains unchanged (see more p. 34). Therefore, as soon as a Ukrainian manufacturer is to export their products to a country with an established Drone Deal, they by default follows Resolution No. 875, as this special export regime was specifically created for such states.

The entire procedure will be built on **two lists**. The first is a **list of states** to which exports are permitted, approved by the Ministry of Foreign Affairs considering proposals from the MoD, the Security Service of Ukraine, the Foreign Intelligence Service, and the intelligence body of the MoD. The second is a **list of products and technologies** whose export may pose a threat to Ukraine's defence and national security. Both lists are to be updated on a quarterly basis. At the same time, the State Export Control Service has the **right to revoke an export permit at any stage** if there is an information that the exported products or technologies are intended for states under sanctions or those recognised as aggressors, as well as if the goods are going to be used beside the initially stated purpose.

Along with that, the manufacturer must collect a **package of all necessary documents**. Crucial among these are **state guarantees** from the importing country stating that the products will be used for their stated purpose. Manufacturers must also take into account the **new fees for processing and issuing export permits**: 20% of the contract value for finished goods or technologies, 30% for components, and 20% for subsequent re-export.*

** For more information, see "Export issues" section of this report.*

Status of international implementation and examples of partnerships

The initiative is currently in an active scaling phase, with the pool of participating nations at various stages expanding to 9 signed agreements and about 20 at the negotiation stage. Examples of agreements clearly demonstrate this process of industrial integration:

- **The Netherlands:** A government-to-government agreement has been signed to launch practical work on the implementation of the Drone Deals format, which became a direct evolutionary development and practical enforcement tool of the Build with Ukraine programme. The project

⁴⁷ See "Resolution of July 01, 2026, No. 875, Certain Issues of International Transfers of Goods During the Period of the Legal Regime of Martial Law in Ukraine", [Cabinet of Ministers of Ukraine](#) [ua]

secures long-term financial support and intentions to develop intergovernmental cooperation, blending the Build with Ukraine philosophy (deployment of joint production lines and technology transfer) with the commercial framework of Drone Deals for the parity distribution of manufactured goods. This integration has allowed the partners' traditional defence assistance to be transformed into joint high-tech projects aimed at the long-term strengthening of the capabilities of the Defence Forces of Ukraine and the expansion of the Ukrainian defence industry into the European market.

- **Latvia:** A bilateral, multi-year intergovernmental agreement has been signed, providing for the joint development and manufacture of unmanned systems, missiles, electronic warfare complexes, and other defence technologies, as well as leveraging Ukrainian combat experience to reinforce the partners' integrated air defence systems.
- **Lithuania:** A bilateral intergovernmental agreement has been concluded regarding deep industrial cooperation, technological exchange, and joint work on military-grade unmanned systems.
- **Germany:** Joint projects have been launched under a signed Letter of Intent on defence innovations and Memoranda of Cooperation between German defence concerns (notably Diehl, Helsing, and POINToX) and Ukrainian developers. Cooperation focuses on the deployment of joint ventures, the integration of artificial intelligence technologies, and the manufacture of drones of various ranges – from tactical complexes to long-range UAVs with an operational radius of up to 1,500 km.
- **UAE, Saudi Arabia and Qatar (The Middle East Track):** Strategic documents are aimed at funding and supplying Arab countries with Ukrainian highly efficient UAV interception systems (the cost of a Ukrainian interceptor stands at \$10,000 against a target-intruder cost of up to \$130,000).
- **Bahrain:** An official proposal has been received regarding the adaptation of Ukrainian anti-drone systems to protect maritime navigation and commercial shipping in the strategically vital Strait of Hormuz.
- **Finland:** The Drone Deal format has been proposed for the reciprocal exchange of secure military communication technologies and next-generation EW systems.

Challenges and limitations

Since the Drone Deal programme appears to remain largely based on ad hoc G2G arrangements rather than a fully institutionalised framework, it faces the same challenges as other cooperation models, such as unclear legal status, fragmented governance, export-control uncertainty, and the absence of a single implementation pathway for foreign partners. While Drone Deal is more ambitious than Build with Ukraine and offers a clearer logic of parity production and controlled export, its practical implementation still depends on ad hoc G2G arrangements, licensing agreements, and case-by-case political decisions. This creates uncertainty over how production shares, export rights, IP ownership, end-use controls, and Ukraine's priority access to output will be regulated in practice. Without clearer rules, stable funding, and a dedicated coordination mechanism, Drone Deal risks developing as a set of separate bilateral projects rather than a scalable international framework.

Partner States Funding

Apart from B2B joint ventures and investment tracks, Ukrainian manufacturers receive state financing of their production by the partner states. Funding of the defence industry in Ukraine by

partner countries can be roughly categorised into three models depending on the level of autonomy of the financing mechanism and the coordination with Ukrainian government.

Within the operational scope in Ukraine, **the first Danish-style coordinated model** (often referred as Danish model) is based on a partner state directly financing the procurement of products from Ukrainian companies through the Defence Procurement Agency (DPA) as the counterparty. It maintains the full coordination with the Ukrainian government regarding specific needs, serving as an additional “pocketbook” to support the state contracting. This mechanism is primarily used by Denmark, which, in addition to its own funds, administers a pool of resources from partner countries committed to this model. Lithuania also utilises this approach. **The second Hybrid model** is built on partial coordination between partners and the Ukrainian side regarding needs and companies, where countries mostly operate through their own procurement structures. This mechanism is mainly employed by Germany, the Netherlands, and to some extent, Norway. **The third Direct model** is featured by a minimal level of coordination with the Ukrainian government, where partner countries choose to work directly with manufacturers and individual brigades reducing the involvement of government structures. This approach can be attributed to the United States, the United Kingdom, and Sweden.

In a nutshell, these models reflect trends in the pathways that Ukraine's partners choose for financing the defence sector, based on their own political cultures, institutional approaches and national interests. Such a distribution is also not one hundred percent robust, as partners are not necessarily limited to a single path and can utilise several tracks simultaneously with different level of coordination with Ukrainian government, as Germany or Norway do. In this way, such categorisation serves primarily analytical purposes to map partners' state funding in a more concise way.

Danish-style coordinated track

Denmark became the greatest advocate for the use of this funding model. In 2024, Ukrainian Ministry of Strategic Industries, launched this track with Denmark for financing arms procurement for the DFU. So far, it has attracted the most funding out of all three mechanisms,⁴⁸ dubbing it the "Danish model". It is based on a government-to-government-to-business approach, where the Ukrainian side compiles a list of Ukrainian defence enterprises and projects requiring funding, and the partner state government, in turn, provides the financial resources. At the same time, the latter also bears the cost of auditing the recommended companies and evaluating their capacity and track record in fulfilling contracts.⁴⁹

This financial mechanism emerged as a solution to a puzzle: the needs of the DFU are not decreasing, yet the volume of international military aid is declining. Meanwhile, the state is unable to contract sufficient production of weaponry due to limited financial resources. Therefore, this approach allows, first, to boost Ukraine's domestic industry production and reduce reliance on donated weapons and systems. Second, financing enterprises within Ukraine reduces delivery times due to closer-to-the-front production. Third, it helps to focus on capabilities most in demand for the Ukrainian army in general. Furthermore, it reduces the training burden attached to buying foreign equipment, as Ukrainian forces can use technology, they are already familiar with.⁵⁰ This operational and financial

⁴⁸ Based on KSE Institute information

⁴⁹ See “EUR 597 million in investment: How the 'Danish model' is strengthening Ukraine's defense industry”, [Ministry of Defence of Ukraine](#)

⁵⁰ See “The Danish Model – a sustainable approach to supporting Ukraine”, [DSEI UK](#)

model has proven to be successful, therefore, in addition to Denmark, other countries such as Sweden, Norway, Iceland, and Canada have committed financial contributions through the Danish mechanism.

Funding volume and cases

In 2024, more than €590 million was attracted under this funding model through Denmark, which contributed €175 million via the Danish National Ukraine Fund (established in 2023). While Sweden provided €20 million, Iceland €2.7 – million, and Canada⁵¹ – \$3 million (>€2.5). Additionally, this total included €390 million in accrued interest from frozen Russian assets.⁵²

FIGURE 1. FUNDING VIA “DANISH MODEL” IN 2024 and 2025



Sources: [Government of Canada](#), [MoD of Ukraine](#), [European Pravda](#), [CSIS](#)

For 2025, the total pledged funds through Denmark have increased significantly, though it is currently impossible to calculate a precise cumulative figure. The committed funds amount to about €1.4 billion directed toward the Ukrainian defence industry.⁵³ Of this, €1 billion comes from revenues on frozen Russian assets channelled by Denmark, which acts as the executor for the disbursement of these EU funds through the European Peace Facility. Furthermore, Denmark has promised €130 million of its own funds, Canada has pledged €67 million, Norway was to allocate approximately €43 million, while Sweden committed \$178 million.⁵⁴

Meanwhile, according to other sources, in 2025, Denmark provided approximately €350 million.⁵⁵ Canada announced \$100 million to support the production of military drones and \$40 million – still in the process of transfer – to deliver urgently needed capabilities.⁵⁶ In total, Denmark has allocated more than €130 million from the Ukraine Fund for procurement within the Ukrainian defence industry for 2026 and 2027 annually⁵⁷ and will continue to act as the executor for several other countries, including Norway, Sweden, Iceland, and Canada.

The primary focus of funding was on deep-strike capabilities, such as missiles and drones, as well as artillery and mortar ammunition. One of the Ukrainian manufacturers of deep strike drones – whose

⁵¹ See “Defence Minister Bill Blair commits \$440 million in military assistance to Ukraine”, [Government of Canada](#)

⁵² See “EUR 597 million in investment: How the ‘Danish model’ is strengthening Ukraine’s defense industry”, [Ministry of Defence of Ukraine](#)

⁵³ See “Denmark will spend about 1.4 billion euros this year on weapons production by the Ukrainian defence industry”, [European Pravda](#) [ua]

⁵⁴ See “From Production to Procurement: How Europe and Ukraine are Transforming Defense Supply Chains”, [CSIS](#)

⁵⁵ See “Finansielle donationer skal styrke Ukraines kamp mod Rusland”, [Forsvarsministeriet](#) [dan]

⁵⁶ See “Canadian donations and military support to Ukraine”, [Government of Canada](#)

⁵⁷ See “Finansielle donationer skal styrke Ukraines kamp mod Rusland”, [Forsvarsministeriet](#) [dan]

name is not disclosed for security reasons – expanded its own production precisely due to funding through this model. Although the company had been operating well before the 2022 full-scale invasion, its revenues remained relatively low and volatile. In 2024, the manufacturer secured a contract that had a major impact, resulting in a multiple increase in revenue and enabling a rapid scaling of operations, which subsequently allowed for a threefold expansion of its workforce. In this way, the company became a significantly larger and more sustainable industrial player.⁵⁸

The production of the 2S22 Bohdana, a 155mm self-propelled howitzer, has become a showcase for this model of procurement. Denmark's initial €50 million tranche funded the production of 18 Bohdana self-propelled howitzers⁵⁹, with a reported €538 million transferred to produce the 2S22 in 2024⁶⁰. Subsequently, President Zelenskyy announced the production of 154 artillery systems in 2024, though he did not specify which exact systems. These systems likely include the 2S22 Bohdana. At the same time, according to the Danish Defence Minister, the production of 2S22 systems specifically grew from 6 to 18 units per month after critically important components reached Ukraine⁶¹ – presumably cannons and technical solutions for the chassis that supports the cannon. Later reports indicated an expansion of production up to 40 units per month.⁶² While exact production volumes cannot be verified at this time, the figures nonetheless indicate that the Danish financing mechanism provided the necessary momentum to increase the production scale. Subsequent rounds of funding have already included long-range UAVs as well as anti-tank and anti-ship missile platforms, which remain funding priorities alongside artillery platforms.

Meanwhile, as of February 2026, Lithuania has directed \$38 million toward the production of Ukrainian deep-strike drones for the Defence Forces of Ukraine, utilising this model. Lithuania plans to increase this funding by an additional \$12 million over the course of the year. Furthermore, there are plans for a subsequent allocation of another \$24 million for the procurement of Ukrainian deep-strike and naval drones.⁶³ The initial tranches of Lithuanian funding announced in 2024–2025 were channelled toward the production of Ukrainian long-range weapons, specifically the "Palyanytsia" project.⁶⁴

Mechanism

Although this mechanism technically is a contracting with Ukrainian companies, in practice it functions as government-to-government agreements because all terms are jointly validated between states. Apart from Lithuania, other partner states, whose funds are also used in this mechanism, conclude agreements with Denmark, while no bilateral agreements exist with Ukraine through this scheme.

Considering the volume of funds directed through Denmark, the latter has established a whole system in place – it communicates with the Ministry of Defence of Ukraine and specifies the amount of funding it is ready to allocate. In turn, the Ministry of Defence prepares a procurement projects portfolio requiring financing: a selected set of systems that meet operational requirements and can

⁵⁸ See "The Ukrainian defense technology market: opportunities for investors", [KSE Institute](#)

⁵⁹ See "From Production to Procurement: How Europe and Ukraine are Transforming Defense Supply Chains", [CSIS](#)

⁶⁰ See "Ukraine accelerates weapons production: 'We produce more howitzers than all of Europe combined'", [EL PAÍS](#)

⁶¹ See "Denmark Used Kremlin Cash to Triple Production of Ukrainian Howitzer", [Kyiv Post](#)

⁶² See "Ukraine accelerates weapons production: 'We produce more howitzers than all of Europe combined'", [EL PAÍS](#)

⁶³ See "Lithuania allocates \$265m in military aid for Ukraine in 2026", [Army Technology](#)

⁶⁴ See "Lithuania to Invest in Ukraine's Long-Range Palyanytsia Drone Missile Production", [United24](#)

be sourced from vetted Ukrainian manufacturers. Denmark concludes an agreement with Ukraine on funding through the Ukrainian DPA.

The General Staff of Ukraine identifies the requirements and submits a preliminary list to the Department of International Projects of the Ministry of Defence to determine how these needs can be met. To identify the most optimal solutions, the following factors are taken into account:

- **Codification:** whether the system has been codified by the MoD;
- **Maturity:** whether the product is mature (serial production) rather than a prototype.
- **Track record:** the presence of a proven track record in fulfilling contracts.
- **Integrity:** verification of the ownership structure and the absence of criminal proceedings against the company's leadership.

In the meantime, the Danish Defence Acquisition and Logistics Organisation (DALO) conducts its own comprehensive due diligence (DD) on the requested systems and companies. This includes assessing the company's financial state, ownership structure, production capacity, contract history, technical specifications, and cost structure, as well as a market price comparison and cross-checking for the product to maximise value for the price. Representatives may physically inspect production facilities in Ukraine to verify manufacturing capabilities, as was the case with the first purchase through Denmark, which sent its scouts to production sites.⁶⁵ It was also important for the Danes to know that the funded product actually works, as well as what is truly needed on the frontline. For that purpose, Denmark conducted inquiries among combat units about their needs in equipment.

Furthermore, following the mechanism, Ukrainian MoD concludes a contract with the selected suppliers. Verification of production is conducted through quarterly random sampling, where the product undergoes a check of serial numbers and documentation. For payments, the Danish MoD signals the Danish National Bank to transfer funds to the Ukraine's state crowdfunding platform UNITED24 (see Chapter 5 for more details). Throughout the entire process, all documentation – including batch reports, serial numbers, quality assurance certificates, and proof of delivery – is collected and shared with the partner country.

Other projects

It worth noting that, beyond direct procurement, Denmark has also expanded its funding into co-production. In 2025, the government announced funding for the facility construction of the Ukrainian company Fire Point on Danish soil to produce solid rocket fuel for its Flamingo (FP-5) long-range cruise missile.⁶⁶ The rationale here is to provide a secure territory to manufacture a critical product, ensuring supply chain de-risking. While final assembly and testing remain in Ukraine, the risk of disruption to an important and vulnerable node in the supply chain could be mitigated. However, Fire Point has taken an ambitious path of independently establishing production lines in a rather legally sophisticated jurisdiction, bypassing partnerships with any Danish company that could help to navigate this environment. Therefore, forecasting the start of production is currently uncertain, given that the company is still attempting to obtain the necessary permits and licenses.⁶⁷

The Danish government strives to become an intermediary in facilitating investment into the Ukrainian defence industry and promoting Ukrainian-Danish B2B partnerships. First, Denmark

⁶⁵ See “Partnering with Ukraine: Rearming Europe through defence industrial cooperation”, [LSE](#)

⁶⁶ See “Denmark to host Ukrainian missile fuel production in NATO first”, [DefenseNews](#)

⁶⁷ See “The Flamingo missile manufacturer is constructing a chemical plant in Denmark that will produce missile components”, [Ukraine Business News](#)

established a Defence Industry Hub to provide support to Danish companies supplying equipment to Ukraine, as well as those planning to establish production facilities in the country or enter into partnerships with Ukrainian counterparts.⁶⁸ Second, the Danish government launched a guarantee scheme worth more than €130 million for Danish companies willing to invest in Ukraine's defence sector.⁶⁹ One Danish company has already received €1 million in guaranteed funding to invest in the Ukrainian production of electronic warfare equipment. This investment is intended for scaling up production to expand sales, development and service teams, and to further improve the technology. The guarantee is issued through the Danish Export and Investment Fund (EIFO) and covers up to 70% of the subscribed capital or the purchase price of shares in the Ukrainian defence company for a period of up to 7 years.⁷⁰

Conclusion

Considering limited purchasing capacity of the state, Coordinated model offers an alternative and predictable source of demand and a procurement environment that allows Ukrainian companies to scale production, invest in their workforce, and plan longer-term development. This model makes it possible to shorten cash-to-capability cycles and increase the production of critically important weaponry on a systemic level, rather than just as isolated successful purchases. The bet here is on speed, cost-effectiveness, and shortening supply chains through local production, which in turn ensures localised training and maintenance. The process is accompanied by external oversight to provide a transparent procurement channel to ensure external validation and quality control.⁷¹ For Denmark, for example, the partnership with Ukraine is built on trust in the system in place and Ukrainian institutions, while Ukrainian companies prioritise the transparency. Certainly, there is a risk that funding will be directed to companies closest to or most favoured by the Ukrainian government, increasing the chances of corruption and nepotism. However, when the system of coordination and needs assessment is built in this way, such risks will indeed be inevitable. Still, an effective solution to this issue does not lie in restructuring the model, because it is systematised and proved effective. Rather, tools are needed to mitigate such risks. The Danes found a solution in strict, meticulous and robust monitoring, which in turn requires a competent allocation of resources and personnel so that the system does not get bogged down in bureaucratic red tape.

This approach could offer a win-win strategy. For donor states, it provides a way to effectively support the Ukrainian defence industry without depleting their own weapon stockpiles or searching for necessary systems elsewhere. For Ukrainian companies, this funding creates a creditworthy order book with international backing, which, in the long run, opens doors to further commercial financing. Consequently, for the Ukrainian military, it shortens the delivery time for essential systems that are specifically designed for the Ukrainian battlefield experience and are relatively easier and more localised to maintain. Finally, for the Ukrainian state, it reduces financial pressure, opens an alternative procurement source, and enhances international inter-agency cohesion. However, the operational potential of this model faces several bottlenecks. On one hand, partners cannot indefinitely channel funds for the procurement of products from Ukrainian companies. While countries like Denmark remain steadfast partners of Ukraine, more incentives for such financing are

⁶⁸ See "Defense Industry Hub in Ukraine: A strategic platform for Danish defense and dual-use businesses", [Udenrigsministeriet](#)

⁶⁹ See "First million-kroner guarantee for Danish investment in Ukrainian defence company", [Embassy of Denmark in Ukraine](#)

⁷⁰ See "Investment guarantee for the defence industry in Ukraine", [The Export and Investment Fund of Denmark](#)

⁷¹ See "The Danish Model and Ukraine's Wartime Defence Industry", [Journal of International Politics](#)

required in the long run, as financial resources are ultimately finite. One potential solution lies in integrating components manufactured by partner countries into Ukrainian systems and weaponry, the production of which is funded by those same partners. This generates economic value and interest, thereby creating an incentive for allies to finance the Ukrainian defence industry under this model. Conversely, the Ukrainian defence sector may be rather reluctant to adopt this approach, as it inherently creates a further reliance on foreign components, providing partners with additional leverage. For instance, the integration of Danish muzzle velocity radars into Bohdana howitzers – Denmark pioneered in funding of their production – has not progressed beyond the installation of a pilot set. Therefore, for this model to truly become a win-win strategy, it is essential to identify pathways where financing is perceived less as foreign aid and more as mutually beneficial cooperation.

Hybrid track

Within **Hybrid track** allies do not adhere to a single route of channelling the funds. Indeed, this type of model features varying levels of coordination with the Ukrainian government, focusing on the direct procurement from defence manufacturers, sometimes bypassing Ukraine's DPA and instead employing partners' own procurement bodies. In contrast to Coordinated track with established oversight mechanisms by both the Ukrainian MoD and external assessments by partners, this model lacks a standardised mechanism or principle for selecting and vetting Ukrainian enterprises. Consequently, partners tend to rely on independent due diligence of contractors based on their own internal criteria. While the Ukrainian side coordinates with partner countries, there is no refined algorithm for assessing needs, priority requests, or requirements equivalent to those in Coordinated track.

This is a case of the Netherlands, where the country directly signs the contracts and pays Ukrainian companies, purchasing various types of drones.⁷² In this way, the aforementioned Drone Line initiative was introduced for cooperation with the Netherlands. As of June 2025, Ukrainian companies concluded drones' procurement deals with the Dutch government worth around €500 million.⁷³ And the Drone Line was set at that time to procure 600 thousand Ukraine-made drones for the DFU. Unlike the states using the Coordinated model, the Netherlands arranged the procurement process backed by the guarantees from Ukrainian state-owned bank, mitigating the risks involved in government-to-business direct funding.⁷⁴ Currently, the outcome of the Dutch contribution is seen as successful, since DFU actively use financed drones to destroy the enemy targets on the frontline.⁷⁵ However, the Netherlands also wants to support its domestic industry, so in 2026 it is allocating almost €230 million to fund the production of drones, both in Ukraine and on its own territory, for Dutch-made UAVs, delivering them to the DFU. It was preceded by the launch of production for ground and aerial drones and batteries for Ukraine and its own army in October 2025, in collaboration with Milrem Robotics, Tulip Tech, and DeltaQuad⁷⁶.

⁷² See "Briefing—From production to procurement: How Europe & Ukraine are transforming defense supply chains", [Helsinki Commission](#)

⁷³ See "Netherlands to Send 600,000 Ukrainian Drones and 100 Anti-Drone Radars to Frontline", [United24](#)

⁷⁴ See "Oschadbank Unlocks €837M Dutch Drone Deal with New Bank Guarantee Model", [Kyiv Post](#)

⁷⁵ See "'Drone Line', air defense and aviation: Ukraine and the Netherlands strengthen defense cooperation", [ArmyInform](#)

⁷⁶ See "Netherlands Allocates €310 Million for Anti-Drone Systems for Ukraine and Joint Production of Drones", [Militarnyi](#)

Another country which can be attributed to the Hybrid track is Norway, however, it has diversified the funding channels. On one hand, the country transferred the administration of a portion of its funds to Denmark through its mechanism – as mentioned above, Norway pledged more than €40 million. On the other hand, the Norwegian government is adopting the same independent approach of government-to-business funding as the Dutch do. Throughout 2025 Norway made several commitments: foremost, the partner allocated more than €320 million to procure military equipment from Ukrainian manufacturers, with additional €55 million for different types of drones' production for DFU⁷⁷, and later, announcing another €340 million to procure Ukrainian-made weapons⁷⁸.

Pathway chosen by Germany features the mix of mechanisms from Coordinated and Hybrid models with expansion toward broader cooperation portfolio. Germany chooses to coordinate with Ukrainian Defence Procurement Agency, where the latter signs contracts with manufacturers and German government pays the invoice.⁷⁹ An example of this is the funding of the long-range missiles production in Ukraine using German funds.⁸⁰ As other cases we can name the funding for Ukrainian deep-strike drone production, additional announced €200 million procurement of Ukrainian drones and contracts for the continuous supply of electronic warfare systems.⁸¹ Following the Danish approach, Germany contributed to the production of 200 Bohdana self-propelled howitzers, including its integration with the German Zetros chassis, totalling €750 million. For the Ukrainian KZVTS⁸², it means keeping production lines busy for months ahead, for Germany – that a portion of the value is effectively returned to its own industrial chain through the German Mercedes-Benz Zetros chassis.

Currently, among all countries trying to reapproach with Ukrainian defence industry, be it direct funding of Ukraine-made systems or of JVs, German government support proves that it is not just a one-off deal method. The ally strives to deeply penetrate Ukrainian defence sector, engaging in companies match-making for the range of projects, from JVs for interceptor drones and mid-range strike systems to future cooperation on missile and aviation tech.⁸³ Germany is also financing high-tech AI-equipped drones, which are produced for Ukraine's benefit either at German production sites or through joint German-Ukrainian structures. Germany is also not limiting itself by geography, fostering partial relocation of the production lines to its own territory. Yes, this move is designed to reduce Ukraine's industry vulnerability to Russian strikes, but it is also about gaining industrial control, scalability, and secure supply chains for Germany.

More so, Berlin is also creating a dedicated institutional framework to attract capital and an infrastructure to coordinate investments. A special contact centre is intended to streamline interaction between German investors and Ukrainian manufacturers, speeding up the launch of joint

⁷⁷ See "Norway to increase support for Ukrainian defence industry and procurement of drones for Ukraine", [Government.No](#)

⁷⁸ See "Meeting with the Norwegian Defence Minister: new NASAMS systems, joint UAV procurement, and \$400 million for Ukrainian-made weapons", [Ministry of Defence of Ukraine](#)

⁷⁹ See "Briefing-From production to procurement: How Europe & Ukraine are transforming defense supply chains", [Helsinki Commission](#)

⁸⁰ See "Deutschland finanziert weitreichende Raketen", [ZDFheute](#) [deu]

⁸¹ See "Strengthening defense cooperation with Germany. A number of new important agreements worth over €1.2 billion have been signed with German partners", [Denys Smygal](#) [ua]

⁸² Kramatorsk Heavy Duty Machine Tool Building Plant

⁸³ See "Seven Types of Drones Manufactured by Ukrainian Enterprises – for Which Memoranda Have Already Been Signed on the Potential Establishment of Joint Ukrainian-German Ventures – Were Demonstrated to Volodymyr Zelenskyy and Friedrich Merz", [President of Ukraine](#)

projects.⁸⁴ The German government is particularly interested in cooperation on interceptor drones and long-range precision missiles. In other words, Germany is building a "front door" for its business. This means that financing Ukraine's defence sector is becoming a systemic process involving banks, funds, startups and industrial corporations under the state coordination.

Conclusion

Conceptually, Hybrid track can offer a more flexible, partner-driven funding mechanism for Ukraine's defence industry. It provides speed and potentially adaptability, since partner governments can contract directly with Ukrainian manufacturers and avoid the slower procedures associated with more institutionalised channels. However, this flexibility might come at the cost of weaker standardisation.

Unlike Coordinated track, which is structured around a more defined interaction with Ukrainian state institutions, this model does not provide a unified algorithm for identifying priority needs, selecting producers, verifying production capacity, and monitoring contract implementation. As a result, each partner practically creates its own procurement ecosystem, relying on national due diligence standards, bilateral political trust, or additional risk-mitigation instruments such as state-backed guarantees. The same goes for oversight – no robust, vigorous mechanism of controls and checks is in place to enhance transparency.

The Dutch paired direct contracting with financial safeguards from a Ukrainian state-owned bank to reduce the risks of direct government-to-business funding and make the mechanism more acceptable for the donor state. Norway follows a more diversified version of the same logic. By combining contributions through Denmark's mechanism with direct procurement from Ukrainian manufacturers, the state reduces its dependence on a single funding channel while preserving political and operational flexibility. Germany goes further by using elements of the Coordinated Danish-style model through its work with Ukraine's DPA, while also expanding into direct industrial cooperation, joint ventures, co-production, technology transfer, and partial relocation of production.

What distinguishes the Hybrid model from the Coordinated one is that partners are pushing to absorb Ukrainian battlefield innovations, strengthen their own defence industries, and secure access to scalable production chains. This logic is rational and makes the model attractive, but it can also be politically sensitive. Along with that, it can create a risk of certain asymmetry. If partner states control financing, have more say in selecting contractors, shape production geography, and determine the level of domestic industrial participation, Ukraine might lose leverage over parts of its own defence-industrial base.

Direct track

The third model of funding, favoured by countries like the US, the UK, and Sweden, is features the lowest level of coordination with Ukrainian governmental structures. Some partners choose to work directly with Ukrainian defence enterprises or even individual brigades and branches of the military, bypassing state agencies.

The first mentions of the US funding Ukraine-made weaponry date back to 2024, when the country committed \$1.6 billion toward the purchase of Ukrainian-manufactured arms.⁸⁵ The following year,

⁸⁴ See "Germany is establishing a contact center for investments in the Ukrainian defense industry", [Liga.Net](#)

⁸⁵ See "The United States to purchase \$1.6 billion worth of Ukrainian-made weapons for the Ukrainian Defense Forces", [Militarnyi](#)

agreements were reached to finance the production of Ukrainian weapons for \$764 million.⁸⁶ At the time, these agreements focused on long-range weaponry – namely missiles and drones. Meanwhile, Sweden, in addition to the money pledged through the Danish mechanism (approximately €200 million), also allocated over €520 million in 2026 for the production of Ukrainian missiles and drones.⁸⁷ Swedish companies, primarily Saab and BAE Systems, as well as the state defence procurement agency FMV, play a vital role in the industrial dimension of this support, having participated in the preparation of decisions on the localisation of production.⁸⁸ The agency is also empowered to oversee the acquisition of equipment for Ukraine and manage the supply chain of necessary resources.

The United Kingdom also utilises various funding approaches. In 2025, the partner state promised to fund the Ukrainian production of air defence systems and long-range weapons, though the specific amount was not disclosed at the time.⁸⁹ However, the country is currently pushing more frequently for joint UK-Ukraine production. In 2024–2025, approximately £345 million was allocated for the procurement and manufacture of surveillance, deep-strike, and naval drones, intended to be manufactured both in the UK and Ukraine.⁹⁰ It tends to work based on the principle of joint development and production because, at the end of the day, Britain wants its domestic industry to directly benefit from such cooperation. Currently, the management of many of these projects has been taken over by Taskforce Kindred – a dedicated team within the British government. Previously, they focused on the fast-track delivery of weaponry for the DFU using UK stockpiles or newly procured items.⁹¹ Now, they administer their own pool of funds, overseeing the search and selection of Ukrainian enterprises or military units for financing or cooperation, as well as handling communication and due diligence. This allows Britain to engage its own team directly, allowing for more flexibility and speed, mitigating the bottlenecks of established bureaucratic procedures. At present, the UK is focusing primarily on the aforementioned joint project Octopus through Build with Ukraine approach.⁹² A joint track has also been developed under the Lyra framework – a portfolio of collaborative projects for the development of drones, air defence, long-range missiles, and other innovations.⁹³

Conclusion

According to KSE Institute information, the third Direct financing model accounts for approximately 1/6 of all funds channelled through the three available mechanisms. This model for supporting the Ukrainian defence-industrial complex is the most flexible, yet at the same time the least institutionally coordinated with the Ukrainian state, as partners often work directly with enterprises or military units. On one hand, this allows allies to remain institutionally agile, launching individual projects faster and bypassing slower bureaucratic procedures. On the other hand, this model highlights the issue of insufficient trust in Ukrainian institutions and the need for a more transparent and efficient coordination system. Furthermore, smaller financing volumes may signal other issues – for instance, the UK currently lacks sufficient funds to finance its own defence industry and military, let alone

⁸⁶ See “The US will finance the production of Ukrainian weapons for \$764 million”, [Oboronka.Mezha](#) [ua]

⁸⁷ See “Sweden allocates a record €1.2 billion military aid package for Ukraine”, [Kyiv Post](#) [ua]

⁸⁸ See “Northern support for Ukraine: the evolution and scope of Sweden’s military support”, [Militarnyi](#)

⁸⁹ See “Britain to finance production of air defense and long-range weapons in Ukraine – Defense Minister Umerov”, [Hromadske](#)

⁹⁰ See “Detailed timeline of UK military assistance to Ukraine (February 2022 to present)”, [House of Commons](#)

⁹¹ See “Working with Ukraine’s Defence Sector”, [Ministry of Defence](#)

⁹² See “Groundbreaking Ukraine tech sharing agreement to deliver drones and support jobs”, [GOV.UK](#)

⁹³ See “UK-Ukraine joint statement: Enhanced Security and Defence Industrial Collaboration Declaration”, [GOV.UK](#)

substantial money flows into the defence sector of another country.⁹⁴ As observed, allies are increasingly making a strategic choice for financing models where funds return to their own defence sectors, and the Ukrainian industry becomes more tied to the industries of partners who gain leverage through joint production.

Bottomline

For Ukraine, the core value of Coordinated Danish-style model lies in its ability to create a more reliable order cadence, providing Ukrainian manufacturers with a clearer demand signal. It also reduces pressure on Ukraine's state budget by opening an alternative procurement channel, while preserving the DPA's role rather than bypassing the Ukrainian procurement system. The model also offers clear advantages for donor states. It allows partners to support Ukraine without further depleting their own stockpiles or searching for available systems on strained international markets. This makes it especially attractive at a time when many European states face the dual challenge of helping Ukraine while rebuilding their own defence readiness. This model's approach demonstrates that smaller states can have outsized strategic influence when they specialise in governance, coordination, financial transparency, and project management. For example, Denmark's comparative advantage lies in institutional agility, good governance, due diligence capacity, and credibility as a transparent implementing partner. Unlike larger allies with more complex procurement systems, Denmark can perform the intensive administrative and oversight functions required to make direct financing of Ukrainian production politically and operationally viable. However, the model also has important limitations. Its expansion depends heavily on the administrative capacity of Ukraine's DPA, which may be insufficient to rapidly scale the mechanism. This means that the Model's success requires development in Ukrainian procurement institutions, auditing capacity, contract management, and coordination mechanisms. Along with that, it should offer additional incentives for partner states to utilise it – the available option is to integrate partner-made components into Ukrainian systems, effectively benefiting their national industries.

Hybrid and Direct models offer direct and less institutionally coordinated support to companies or military units. They have speed and flexibility but lack the same level of state coordination. Its lower financing volume and weaker institutional integration suggest that it is useful for agile, project-specific support, but less suitable as the main framework for systemic defence-industrial development. Therefore, Coordinated model is the most sustainable and administratively coherent option for Ukraine because it works through Ukrainian procurement structures while still offering international oversight. At the same time, many partners remain reluctant to finance Ukrainian defence production directly, preferring funding arrangements that benefit their domestic defence industries.⁹⁵ Germany, for example, apart from direct funding, tends to favour joint ventures and production partnerships that tie Ukrainian production more closely to their own industrial bases. This explains why, despite the visibility of Danish-style model, direct foreign orders to Ukrainian defence companies have remained relatively low compared with total international arms purchases for Ukraine.

⁹⁴ See "Start-ups complain they are helping British military modernise on the cheap", [Financial Times](#)

⁹⁵ See "A trusted ally? Denmark's involvement in helping Ukraine", [OSW](#)

Export Issues

Why opening exports is critically important

Ukrainian manufacturers are increasingly facing a situation where production capacity may exceed domestic demand or remain underutilised due to limited access to state funding. However, the state cannot act as the sole buyer sufficient to enable companies to remain in the Ukrainian market and build sustainable business models. Therefore, exports are a prerequisite for scaling up: access to foreign markets would allow companies to plan long-term commercial strategies, attract investment, ensure stable production capacity utilisation and retain technical teams. Increased production volumes, driven by export demand, reduce production costs, thereby enhancing competitiveness in both foreign markets and in supplying the country's own defence forces.

Current status

The export regime for weapons from Ukraine was effectively suspended at the start of the full-scale war, and production capacity was diverted to meet the needs of the front. An initiative to resume exports has been under active discussion since September 2025: its aim is to enable companies to generate revenue and maintain production, otherwise part of the capacity would lie idle. In practice, progress has been gradual: in February 2026, the Interdepartmental Commission on Military-Technical Cooperation and Export Control Policy resumed operations⁹⁶ and considered around 40 applications at its inaugural session, following which the first licences were issued, though predominantly in the form of technology transfer and contractual cooperation under the Build with Ukraine model, rather than for the free physical export of finished products. As part of this policy, defence clusters were opened in Berlin and London remain limited and are subject to strict state control⁹⁷.

One of the legal foundations for introducing the controlled export of military goods and, specifically, implementing the international Drone Deals initiative, is the Decision of the National Security and Defence Council of Ukraine. This document has defined the strategic framework for intergovernmental security cooperation, mechanisms for protecting critical technologies, and the priority of meeting the needs of the Defence Forces of Ukraine. The implementation algorithm is based on the principle of reciprocity: the boundaries of security cooperation are defined by intergovernmental agreements, followed by direct interaction between manufacturers. The National Security and Defence Council of Ukraine acts as the lead coordinator, guaranteeing the 'right of first refusal' and the priority fulfilment of the state defence order for the Ukrainian military, whilst the Ministry of Defence and the General Staff determine the specific requirements of the Defence Forces. A security vetting process, conducted by the Ministry of Foreign Affairs in conjunction with intelligence agencies and the SSU, ensures that Ukrainian technologies do not reach countries cooperating with the aggressor state.

At the same time, the formal procedural framework is already in place: the Interdepartmental Commission on Military-Technical Cooperation and Export Control Policy reviews applications, the State Export Control Service of Ukraine issues licences, and simplified procedures are provided for by law for supplies under international agreements; in particular, Cabinet of Ministers Resolution No.

⁹⁶ See "New composition of the Interdepartmental Commission on Military-Technical Cooperation Policy and Export Control approved", [SSECU](#)

⁹⁷ See "Export is not for everyone: how an export of Ukrainian weapons will work", [Unian](#) [ua]

6⁹⁸of January 2026 shortens the processing times for such cases to 15 days. However, in practice, the model operates primarily through individual approvals and post-contract technology transfers, rather than the systematic export of finished products.

In July 2026, the government adopted the aforementioned Resolution No. 875 – it launched a new "special mechanism for the controlled export of weapons and defence technologies", introducing "export rules for partner countries under the 'Drone Deal' framework".⁹⁹ The general export control rules under Resolutions No. 1807 and No. 86 remain in effect, too, with the new system being a special add-on to the current state export control framework.¹⁰⁰ The export permission will be assessed against two lists. The first is a list of critical goods and technologies that, if exported, could pose a threat to Ukraine's defence and national security. The second is a list of countries eligible for international transfers under this Resolution. Deadlines and the "tacit approval" are also changed to 30 calendar days, in which the State Export Control Service must review applications and make a decision. If the grounds for refusal are not given within 15 calendar days, the international transfer is considered approved by default. To obtain a permit for foreign counterparties and importing countries, companies must submit documents proving that the foreign entity complies with the procedure, along with state guarantees from the importing country. The fees have changed as well, with the processing and issuance permit fees set at 20% of the export contract value for finished products, 30% for components, 20% for technologies, and 20% for re-exporting goods manufactured using the transferred technologies to third countries.¹⁰¹

How export restrictions are hindering partnership models

At present, contract-based technology exports are the only model that is functioning with any degree of stability. This is most evident within the framework of Build with Ukraine, where joint production abroad has effectively become a mechanism for opening exports in a controlled and limited way without formally launching a full-scale arms export regime. In this model, cooperation is formalised as an intergovernmental security partnership; that is, a signed intergovernmental agreement is a prerequisite for authorising the transfer of technology, software, technical documentation, components and manufacturing expertise within the framework of a project, though not a complete operational system. At the same time, this model remains largely ad hoc. Each individual project requires a separate approval procedure, and the permits issued are usually tied to a specific country, partner and type of technology. Expanding cooperation to a new partner or a new market often means effectively restarting the procedure for Ukrainian companies. Industry representatives also note that the legal framework for the permits issued remains ambiguous – it is not always clear whether companies are receiving export licences or permits for technology transfer, and this distinction matters in terms of what can be produced and where.

The lack of clarity surrounding the export regime has a direct impact on the operation of Build in Ukraine. A foreign company that localises production in Ukraine and develops a product in accordance with Ukrainian legislation has, in fact, no guarantee that it will be able to obtain export

⁹⁸ See "Order On Approval of the Procedure for Applying the Simplified Procedure for Reviewing Documents for Granting a Permit or Conclusion for International Transfers of Goods within the Framework of International Treaties of Ukraine", [Verkhovna Rada](#) [ua]

⁹⁹ See "The government is launching a special mechanism for the controlled export of Ukrainian weapons and defense technologies", [Yuliia Svyrydenko](#) [ua]

¹⁰⁰ See "Ukrainian weapon exports approved: What changes with the new procedure?" [Economicna Pravda](#) [ua]

¹⁰¹ See "Resolution No. 875, Certain Issues Regarding International Transfers of Goods During the Period of the Legal Regime of Martial Law in Ukraine", [Cabinet of Ministers of Ukraine](#) [ua]

licences to ship its products abroad and, consequently, cannot sell them overseas; therefore, it cannot attract investors or consider Ukraine as a base for international production. Currently, the only market available to it is domestic Ukrainian procurement, the amount of which is limited for large-scale production projects.

The key issue lies not merely in the absence of specific licences or simplified procedures, but in the lack of a comprehensive policy and legal framework that sets out the principles governing defence cooperation and exports. It currently remains unclear which types of technology may be eligible for export in the future, which countries are considered acceptable partners for long-term cooperation, how exactly licensing decisions are made, and whether the current mechanisms are temporary wartime exceptions or the basis for Ukraine's future export policy. This uncertainty directly affects foreign partners and investors: without an understanding of the basic rules, companies cannot plan a long-term presence in Ukraine or integrate Ukrainian production sites into defence supply chains.

Along with that, the practical implementation of the new Resolution №875 remains to be seen, as the mechanism provides greater clarity on export controls but still leaves blind spots for producers. Observers have already noted that, to reduce unpredictability, more transparency is needed on how the two Lists of products and eligible countries-importers are created, as well as the rules for adding or removing items and countries.¹⁰² Required state guarantees from the importing country may be overly rigid and overly formalised. Companies may also be restrained by the new exporting fee. 20% of the contract value for exporting finished products or technologies and 30% for components could become a major financial barrier for many manufacturers, especially in the more "traditional arms" sectors such as ammunition or armoured vehicles.¹⁰³ International markets for these products are fiercely competitive, meaning a 20% cut in the contract value could completely wipe out their export profitability. In addition, such a fee rate creates legal traps for partner states' funded programs supporting Ukrainian production, particularly for projects under the "Danish Model," Drone Deal, or Build with Ukraine.¹⁰⁴ There is a breach between the physical movement of the goods and the legal framework of the transaction. The weaponry is manufactured and remains in Ukraine to meet frontline needs, yet under Ukrainian customs legislation, the contract with a partner government is classified as a foreign economic (export) agreement, since a foreign counterparty is a non-resident, and the transaction involves the transfer of ownership rights for the manufactured products. Thus, the law mandates compliance with Resolution No. 875, including payment of a 20–30% permit fee. As a result, the Ukrainian manufacturer is forced to pay a percentage of the contract value for an "export permit" for goods that do not even leave the country. Therefore, the next step must be to refine the resolution, resolve payment-related issues, and provide clear guidelines for partners' government-funded programs supporting Ukrainian production.

¹⁰² See "Ukrainian weapon exports approved: What changes with the new procedure?" [Economichna Pravda](#) [ua]

¹⁰³ See "The Cabinet has opened up arms exports, but not for everyone, everywhere, or everything. What is wrong with the new mechanism?", [Oboronka Mezha](#) [ua]

¹⁰⁴ See "National Association of Ukrainian Defence Industries", [NAUDI](#) [ua]

THE CURRENT LANDSCAPE OF DEFENCE PARTNERSHIPS

- At least **180 B2B partnerships** between Ukrainian and foreign companies have been launched since the start of the full-scale invasion (as of May 2026), though the real figure is likely higher, as firms often keep cooperation confidential. The most active partners are Germany (**20%**), Denmark (**10%**) and the US (**9%**).
- Around **22% of partnerships have stalled**, most often at the early stage, when companies sign letters of intent or memoranda that frequently serve publicity without leading to working projects.
- Unmanned systems are the busiest segment (**26%** of partnerships), followed by air defence (**17%**) and GMLRS/artillery (**10%**). In drones, cooperation centres on R&D and manufacturing; in air defence and artillery, it is mostly maintenance and repair of allied-supplied equipment.
- The segments operate differently: drones follow an IT/venture logic – low entry barriers, private capital, fast scaling and G2G "green lights" – and stay active in about **98%** of cases, while air defence and artillery follow heavy industry logic, with long procedures and political budgets, leaving only about **63%** of air defence partnerships active.
- Ukrainian private and state-owned firms participate in roughly equal numbers, but **private firms perform better**. They also dominate unmanned systems (about **93%**), while state-owned firms dominate air defence (about **79%**).
- The sector's main limitation is **weak operational infrastructure**: lack of funding, no single coordination point, unclear rules, limited administrative capacity, and the cost of scaling abroad. Success still depends too much on individual companies pushing projects through by hand, lacking a stable system.
- Partnerships work best when the structure is clear from the start. The strongest cases are the ones **backed by a partner state, real funding, a defined procurement need and a clear institutional channel**.

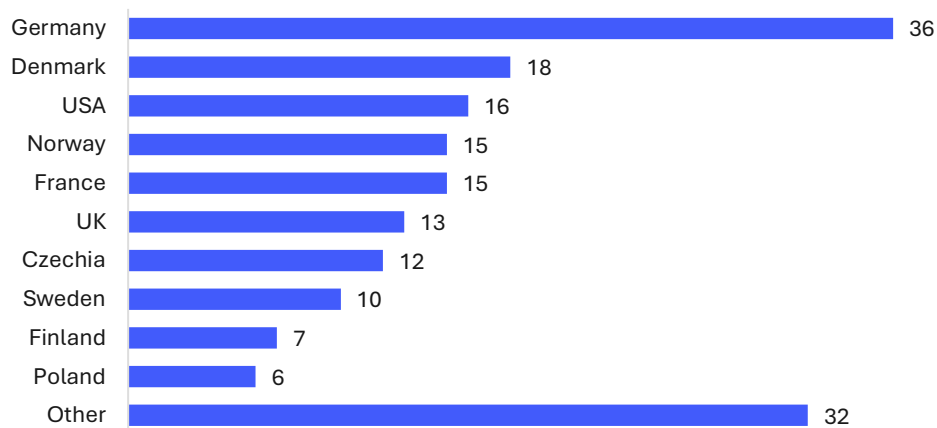
Trends and Patterns

Ukraine's defence sector has built a large number of international business-to-business partnerships. The B2B cooperation landscape is fast-growing, but is still unstable, with many partnerships struggling to turn into real working projects. According to KSE Institute calculations, as of June 2026, at least **180** business-to-business partnerships between Ukrainian and foreign companies have been initiated since the start of the full-scale invasion. Methodologically, a single unit of analysis ("1 partnership") represents a unique combination of "one company + one line of operation". If a single enterprise cooperates across multiple areas (e.g., simultaneously providing manufacturing and repair services), each track is counted as a separate case for further comparison within the projects segment and category. Additionally, the total count includes projects currently at the pre-engagement or initiation phase (preliminary discussions or steps), regardless of whether legally binding commitments have been finalised at this stage. Also, we assume a certain margin of error in the count or representation of B2B cases, as the actual number could be higher, since companies often tend to keep their cooperation confidential for security reasons.

Therefore, the top three most active partners, with companies entering collaborations, are Germany (**20%**), Denmark (**10%**) and the USA (**9%**). This high volume of partnerships between German and Ukrainian companies is by no means a coincidence. Germany has chosen a path of funding both the

hardware and the knowledge of how that hardware performs in warfare. Ukraine shares its technology, combat experience, and market access, while Germany strengthens its defence-industrial base, gains new supply chains and access to modern military tech – particularly in the field of UAVs – and secures Ukraine as a future market. In return, Ukraine receives weaponry, investments in JVs, jobs for specialists, and a gateway into the European defence market.

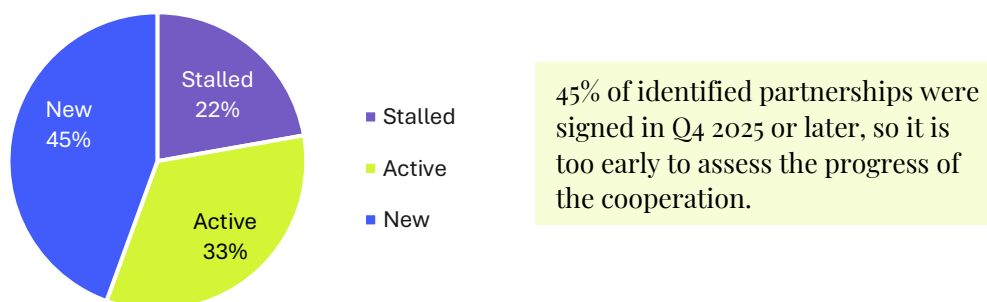
FIGURE 2. NUMBER OF PARTNERSHIPS BY COUNTRY



Source: KSE Institute assessment

At the same time, across the total number, around **22%** of the initiated partnerships have stalled due to a variety of reasons and obstacles on either the Ukrainian or the partner country's side. The highest number of stalled partnerships usually occurs at the initial stage of establishing cooperation. Formally, companies may exchange so-called letters of intent or even sign memorandums of cooperation, but in practice, this often does not guarantee that the partnership will progress. Experts working in the field note that such memorandums often serve primarily for publicity to ensure the partnership is "greenlit".

FIGURE 3. NUMBER OF PARTNERSHIPS BY STATUS

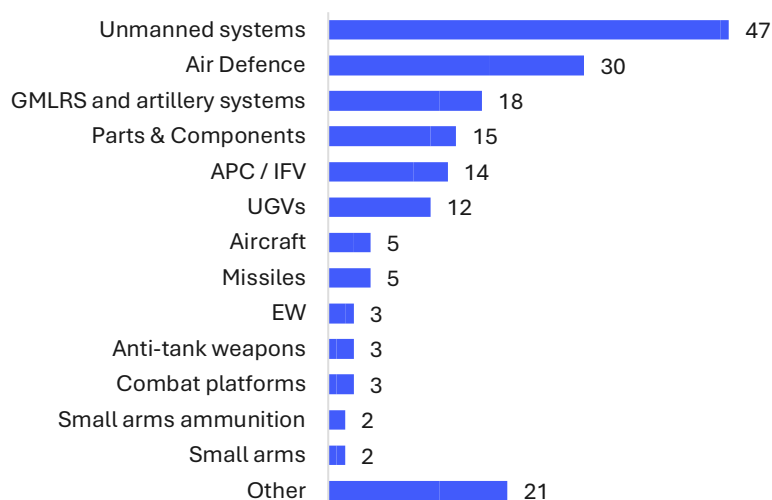


Source: KSE Institute assessment

Unmanned systems are the most popular segment for establishing partnerships – according to KSE Institute estimates, they account for **26%** (both active and stalled) of the total number. Other popular segments for companies to enter into collaboration include air defence (**17%**) and GMLRS & artillery systems (**10%**). Within the unmanned systems segment, the most common areas of cooperation are R&D and manufacturing of drones. Conversely, in the air defence and GMLRS & artillery systems segments, cooperation predominantly focuses on MRO and sustainment. This distribution persists because unmanned systems segment has a low barrier to entry. Setting up an R&D centre or a drone assembly facility is significantly cheaper and faster than building a manufacturing plant. It is also

easier to attract private capital and scale operations here. Foreign companies are drawn to this segment to test their technologies in real-time and instantly adapt their software. At the same time, Ukraine relies on air defence and artillery/GMLRS supplied by its allies. Consequently, MRO facilities operate within Ukraine to repair and sustain this delivered equipment – for example, there are functioning repair workshops for AS-90 artillery systems, Archer systems, or even L119 light guns.¹⁰⁵

FIGURE 4. NUMBER OF PROJECTS BY PRODUCT SEGMENT

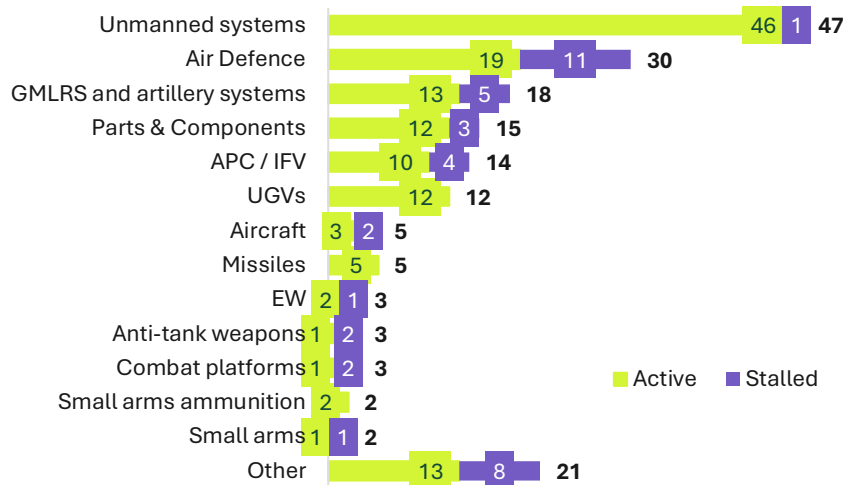


Source: KSE Institute assessment

At the same time, the unmanned systems segment has the highest number of active partnerships (98%), driven by the large volume of agreements concluded between 2025 and the first half of 2026. A significant number of these partnerships are also backed by G2G agreements with the respective partner countries, which help facilitate and accelerate the development of B2B collaborations. Moreover, there are many new cases, particularly in this segment, so their progress is yet to be seen. Meanwhile, only about 63% of partnerships in the air defence segment remain active. This trend is driven by the fundamentally different nature of these markets, the speed of decision-making, and the political landscape. The drone market demonstrates high activity because it operates under the logic of IT service industries and venture capital – featured by fast money, government backing (a "green light" from G2G agreements), and almost instantaneous deployment. Conversely, the air defence and artillery market operates under the logic of conservative heavy industry. Deals are brokered with massive multinational defence giants involving lengthy procedures and a heavy reliance on major political budgets. As a result, nearly half of these initiatives remain stalled in protracted approval stages.

¹⁰⁵ See "For the first time, the UK has told about its workshops for repairing military equipment in Ukraine", [Oboronka Mezha](#)

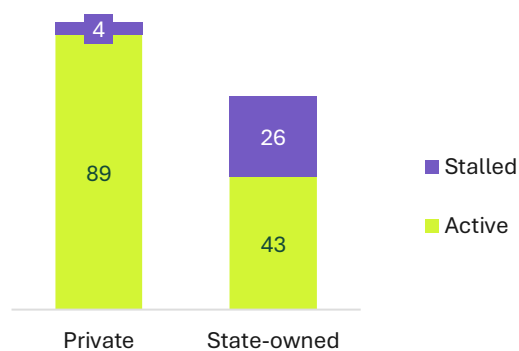
FIGURE 5. NUMBER OF PROJECTS BY SEGMENT AND STATUS



Source: KSE Institute assessment

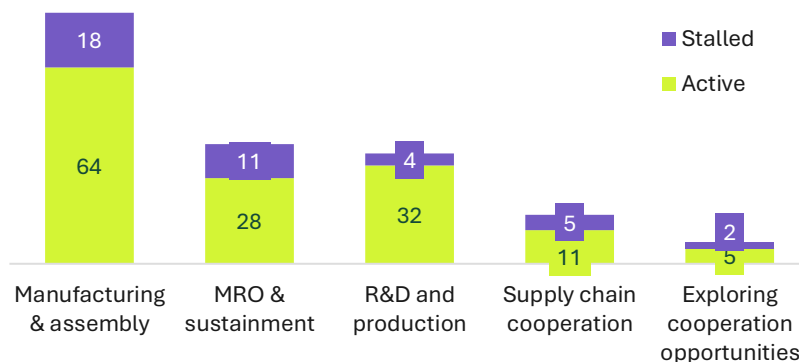
Analysing partnerships by enterprise type reveals that Ukrainian companies are split almost equally between private and state-owned entities. Some stalled cases are excluded from the count because they have not reached the stage of partnering with the specific Ukrainian entity, making it impossible to categorise them by the company type. Private companies dominate the unmanned systems segment, accounting for approximately 93% of all Ukrainian enterprises involved in this sector. Meanwhile, the air defence segment is dominated by state-owned enterprises, which account for approximately 79% of the total number within this sector. Overall, the data indicate that partnerships involving Ukrainian private enterprises are more viable than those involving state-owned companies. Approximately 96% of partnerships with Ukrainian private entities are considered active, whereas this figure drops to just 62% among state-owned ones. It can be explained, in part (but not exclusively), by the fact that private companies are “fighting for survival” and profitability here and now, driving them to move at a startup pace. State-owned enterprises are bound by bureaucratic red tape, outdated management practices, and rigid controls. Furthermore, private businesses display greater flexibility regarding intellectual property issues and are more open to compromises compared to the state-owned sector. Partnerships hold the greatest comparative potential in the manufacture & assembly category, where approximately 78% of projects remain active. This high rate is driven by the large number of active partnerships, particularly in the unmanned systems segment. MRO partnerships are also more likely to be established, with about 72% activity rate.

FIGURE 6. NUMBER OF PARTNERSHIPS BY UKRAINIAN ENTITY TYPE



Source: KSE Institute assessment

FIGURE 7. NUMBER OF PARTNERSHIPS BY CATEGORY



Source: KSE Institute assessment

Challenges and Implementation Gaps

KSE Institute has conducted a number of interviews with Ukraine's defence sector actors – manufacturers, representatives of partner states, and experts in the field. The interviews reveal that international B2B partnerships in Ukraine's defence sector have uneven development, and it is significantly slower than it could be. The data in the previous section support the insights: at least **180** B2B partnerships have been initiated, but around **22%** of cooperation cases have stalled before becoming fully operational, usually at an early stage. Although there is demand within the system, partners' interest, and isolated successful cases, these elements fail to form a sustainable network due to a combination of financial, institutional, and political barriers. The overarching challenge is that cooperation relies primarily on manual interventions, ad hoc agreements, and specific individuals, rather than on a predictable system. The problem is that there is no straightforward or predictable link between demand, funding, regulations, and the responsible institutions. As a result, even those models that function successfully, scale up slowly and unevenly.

What does work

In the context of state partner funding, the interviews insights confirm the KSE Institute's findings: the most effective models are those involving a state partner, direct funding from that state, and specific procurements tailored to Ukrainian needs, alongside the involvement of the Defence Procurement Agency as institutional intermediary. These formats, particularly within the framework of G2G and the "Danish model", are seen as the most viable. Unlike B2B one-off deals, the strength of these mechanisms lies in the clear structure they provide – identifying who pays, what exactly is being produced, in what volume, and who the end-user is. It reduces uncertainty and gives companies a tangible incentive to enter into cooperation. Where this logic is applied, the process is moving forward, albeit not without difficulties. It is also evident that models succeed when the partner is inherently motivated to launch cooperation quickly and is willing to shoulder a significant portion of the organisational and financial burden. In these cases, the partner acts as an investor and also as an active lobbyist for the project. So, these models create far more certainty for the Ukrainian side than standard B2B agreements or memorandums that lack follow-through.

What does not work and why: key bottlenecks and challenges

- **Lack of funding.** The most direct and frequently voiced issue is either a lack of funding or partners' reluctance to take on risk, which could ultimately drive the failure of some partnerships. Many partnerships fail to launch or stall precisely because of funding. At the same time, partner states often seek to capture benefits for their own industries – whether through integrating their components into the products or another form of economic participation. Without it, the political will to provide funding weakens. As existing support models gradually deplete and countries become more cautious in allocating funds, it becomes more probable that mechanisms can no longer guarantee further scaling.
- **Lack of a single focal point.** It is about fragmentation of authority and weak coordination among institutions both on Ukraine's and its partners' side. Different agencies and political groups pursue similar tracks in parallel, rather than working in a shared framework. Within the market dynamics, companies do not understand who is ultimately responsible for international agreements, who drives export policy, or who handles production partnerships. The industry does not know where to turn to with its questions. As a result, in Ukraine, several influential factions are pulling the defence sector in different directions, leaving the market caught between competing approaches.
- **Unclear rules of the game.** The market lacks a straightforward, formalised regulatory framework. It applies to Build with Ukraine, export regulations, and general procedures for working with foreign partners alike. Yes, regulatory complexity itself is an issue. Also, the rules appear incomplete, contradictory, or opaque. Companies do not always understand what exactly stands behind political initiatives, what principles guide decision-making, or how to prepare for the process in advance. What is needed are the announced rules of the game put down on paper, along with proper explanations and consultation mechanisms, because now, a significant portion of decisions look like one-off exceptions rather than a functioning policy. Moreover, even successful cases remain isolated and contingent upon personal agreements. It is operationally risky, because if a mechanism relies on specific individuals rather than established procedures, it scales poorly and fractures easily whenever the political or administrative context shifts.
- **Lack of institutional and administrative capacity to scale.** The Ukrainian system lacks the institutional capacity required to support large-scale production or investment projects. Even when there are clear interest and a viable product, the system is not always capable of swiftly driving a project to realisation. It involves both state-level capacities and a shortage of supporting infrastructure for the market – foreign economic activity specialists, established export certification practices and companies' experience to go through them, market consulting and analytics etc. Without a structure to consistently guide an investor, partner, or contract, projects inevitably stall or move slower than they otherwise could, even when there is clear interest.
- **International localisation is complex, expensive and slow.** It is not enough just to open a new facility abroad in order to expand into international markets for Ukrainian companies. It requires licenses, local partners, specific approvals, product adaptation, and often new staffing and tax expenditures. Companies must integrate into local localisation policies or essentially redesign their products to meet the standards of specific militaries.
- **Weak internal market culture.** There is a considerable amount of manipulation surrounding the concept of "battle proven" alongside partners' heightened sensitivity to corruption scandals and the overall risk of mistrust that consequently spreads across the entire sector. This damages individual firms and the market's general image to position itself as a credible one. Some

interviewees point to a low culture of competition, the risk of dumping, potential conflicts among manufacturers, and a lack of mature codes of conduct. The industry itself still needs to mature.

- **Lack of the MoUs follow-through.** Many Memorandums of Understanding between Ukrainian and foreign companies lack substantive follow-through – and the signing of memorandums does not signal future G2G cooperation or even deeper B2B engagement. It increases a risk of efforts fragmentation with the market wasting time and resources on symbolic actions instead of focusing on actual contracts preparation.
- **Asymmetry in partnerships.** Initiative and control can often rest with the foreign partner because they bring forward a specific company, and the partner can act as the primary lobbyist for the project. It creates a risk that the Ukrainian side will have less leverage in selecting models, companies, and terms of cooperation. There is also concern that, in the absence of a clear policy, the state is creating conditions where foreign manufacturers or partners secure a stronger footing than Ukrainian companies. It could create a risk of external actors' domination, even where the domestic market possesses its own capacities.

Currently, the partnerships most often emerge because an individual company managed to find a partner at the right time, convinced them and navigated a complex process almost entirely manually and on their own. Successful cases do exist, but for now they are not full indicators of mature system. We may say that international cooperation in the defence sector is performing below its potential. While there is genuine interest, several functioning formats, and companies primed for growth, what remains missing is a stable state framework, clear coordination, predictable procedures, and a longer-term financial logic. The formats that really work are primarily those backed by concrete funding, a specific customer, and a clear framework – everything else too often stalls somewhere between politics, bureaucracy, and institutional friction.

ADDITIONAL PATHWAYS FOR DEFENCE COOPERATION

- The EU has built funding infrastructure around Ukraine through **procurement-finance** (SAFE, USL, UIF) and **industrial and R&D tracks** (EDF, EDIP). Announced in 2025 **Readiness 2030**, umbrella political package, works as policy foundation for those funding mechanisms.
- NATO has also moved to **more coherent structures** with the procurement arm (**NSPA**), defence innovation support (**Innovation Fund** and **UNITE-Brave NATO**), its funding framework (**CAP**) and operational coordination platform (**NSATU**), while **JATEC** is the main body for turning Ukraine's battlefield experience into NATO analysis and planning.
- Joint **research is growing**, but it is still weak compared with procurement and production. BraveTech EU is the actual joint R&D fund, while many other partnerships remain stuck in letters of intent, working groups, or co-production deals.
- The most active part of the system is the **start-up and accelerator layer**. Brave1 is the central Ukrainian platform, DIANA is opening to Ukraine, and EUDIS is becoming the main EU channel for Ukrainian defence start-ups.
- Data exchange works in both directions, but unevenly. Ukraine shares industrial data through the **Brave1 Dataroom** plus **Test in Ukraine** gives foreign and domestic defence developers to test technologies in real combat, while **intelligence sharing** from partners to Ukraine remains mostly bilateral, with no full EU-level or NATO-level real-time system.
- Training is now more structured but still slow to fully match battlefield reality. The multinational system has already trained well over 250 000 Ukrainian personnel, but lessons from the frontline still enter NATO practice too slowly and often rely on informal links.
- The persistent issue to deal with is what still does not exist: a permanent joint R&D fund like Israel's, a long-term funding compact, a binding technology-transfer and offset model like South Korea's, and a certification pathway like Taiwan's drone-industry model.

EU and NATO programmes

EU support system for Ukraine could be roughly divided into **two pathways**: finance and procurement tracks, as well as industrial and R&D programmes. The first one mainly contains instruments like **SAFE** and **USL** as main large-scale financing and procurement channels, helping states and Ukraine buy equipment and support defence production. The **UIF** also belongs there to use guarantees and partner banks to make dual-use and defence-related projects investable. The second, industrial and R&D one, covers **EDF** to support collaborative defence and R&D, increasingly including Ukraine, **EDIP** as a longer-term industrial integration instrument with a dedicated Ukraine Support Instrument. The **ASAP** and **EDIRPA** were earlier short-term tools to expand ammunition production and joint procurement, has now largely been folded into EDIP. All ties into broader political umbrella, **Readiness 2030**, which makes Ukraine part of the EU's wider defence-industrial strategy.

Security Action for Europe

The €150 billion SAFE (Security Action for Europe) loan instrument is the single largest novelty in the 2025 EU defence toolbox. Council Regulation (EU) 2025/1106 was adopted by the Council on 27 May 2025 under Article 122 TFEU and entered into force on 29 May 2025.¹⁰⁶ It offers long-maturity,

¹⁰⁶ See "SAFE: Council adopts €150 billion boost for joint procurement on European security and defence", [Council of the EU](#)

competitively priced loans, backed by EU borrowing on capital markets, to Member States that procure jointly across two product baskets, running from artillery and ground combat systems through to air and missile defence, drones, AI and electronic warfare. Most projects require at least two participating countries, and national defence-industry investment plans were due by 30 November 2025.

The decisive feature for Ukraine is its special associated status from the outset. Ukrainian defence-industry entities can participate in SAFE-funded common procurement on broadly the same terms as Member States and EEA-EFTA countries, and Ukrainian-made products can be procured directly. In May 2026 the Commission had issued tentative allocations to nineteen requesting Member States representing combined indicative demand of roughly €127 billion. Between 11 February and 10 April 2026, the Council approved financial assistance for eighteen Member States, and fifteen of the nineteen national plans include projects with Ukraine. Canada's participation was endorsed by Member States on 19 December 2025.

Ukraine Support Loan

The Ukraine Support Loan (USL) is an EU borrowing-and-lending scheme for Ukraine to cover its most urgent budgetary and defence needs. The regulation links the Ukraine Support Loan to the SAFE instrument by allowing Ukraine to use loan funds through SAFE common procurement, while largely applying the same eligibility rules and third-country access conditions. In the beginning of 2026, the EU agreed to provide Ukraine €90 billion by borrowing on the capital markets.¹⁰⁷ The European Commission makes money available to Ukraine in instalments and tranches, however those funds are not sent out automatically. The country must submit Financial Strategy for the forthcoming 12 months setting out its financial needs and sources – the Commission assesses that strategy, and the Council then adopts an implementing decision fixing how much assistance is made available. For the current funding package, the final legal steps have now been completed, and disbursements were set to start in the second quarter of 2026.¹⁰⁸

Out of this batch of €90 billion, €60 billion are dedicated for Ukraine's defence industrial capacity, including procurement of defence products. Supported manufacturers should generally be based and managed in Ukraine, the EU or EEA EFTA countries, and the cost of components coming from outside those areas cannot be more than 35% of the estimated components cost. Still, there is "an escape route" for urgent cases. If Ukraine urgently needs a product that is not available quickly enough under the normal rules, it can ask for a derogation. Ukraine must provide the available evidence, the Commission it after the consulting and the derogation is approved by implementing act. In this context, however, if Ukrainian producer relies on higher-value Chinese-made electronics, optics, power systems, or other imported inputs, and those push the non-European share above 35% of components cost, that product might fall outside the normal eligibility rules. The regulation can slow or narrow direct USL funding to some Ukrainian producers, especially in sectors with deep third-country supply dependence.

¹⁰⁷ See "Council finalises €90 billion support loan to Ukraine", [European Council, Council of the EU](#)

¹⁰⁸ See "Regulation (EU) 2026/467 of the European Parliament and of the Council of 24 February 2026 implementing enhanced cooperation on the establishment of the Ukraine Support Loan for 2026 and 2027", [EUR-Lex](#)

Ukraine Investment Framework

The UIF (Ukraine Investment Framework) is a mechanism for the EU to help finance the industrial base behind Ukraine's security and resilience, especially in dual-use sectors. It supports industries that can strengthen defence while also serving the wider economy, such as drone production, navigation and communication systems, aeronautical and space technologies, and key metallurgical capacity. The EU does not invest in projects directly but works through large financial institutions like the EIB Group, EBRD, IFC and other development banks that have already been approved by the European Commission. Through those, the framework offers guarantees that reduce risks for investors, plus grants and technical assistance when needed. In practice, the EU basically helps make defence-related and dual-use projects bankable, so private and public investors are more willing to put money into them. The projects are supposed to follow Ukraine's own priorities, especially the Ukraine Plan and related national strategies. The framework is meant to be systematic, backing the factories, technologies, and financing structures that Ukraine needs to produce more at home, attract outside capital, and link its strategic industries more closely with the EU.¹⁰⁹

European Defence Fund

The €7.3 billion EDF (2021–2027), the EU's flagship collaborative defence R&D instrument, was opened to Ukrainian participation in two steps. The 2024 EDF call results, announced on 30 April 2025, committed €910 million across 62 projects and noted that Ukrainian industries could be associated for the first time via outreach by the EU Defence Innovation Office (EUDIO) in Kyiv.¹¹⁰ The legal step came with the so-called Defence Mini-Omnibus: political agreement was reached on 6 November 2025 and the Council formally adopted the amending measures on 18 December 2025, creating the possibility of full Ukrainian association with the EDF.¹¹¹ The 2025 EDF call results, published on 15 April 2026, invested a further €1.07 billion in 57 projects, several of which involve Ukrainian subcontractors, most notably Project STRATUS on AI-powered cyber-defence for drone swarms.¹¹²

European Defence Industry Programme

EDIP (European Defence Industry Programme) closed its legislative cycle in late 2025. Parliament approved the text on 25 November 2025, the Council gave final approval on 8 December 2025; the regulation was signed on 17 December 2025.¹¹³ It carries €1.5 billion in grants for 2025–2027, of which more than €700 million is reserved for Industrial Reinforcement Actions and €325 million for European Defence Projects of Common Interest, with a 35% cap on non-EU/EEA component content. Of the €1.5 billion envelope, €300 million is ring-fenced for a dedicated Ukraine Support Instrument under Article 22, aimed at the recovery, modernisation and progressive integration of Ukraine's defence-technological and industrial base into the EDTIB.¹¹⁴ Ukraine enjoys unique status: it can fully participate in common procurement procedures, is treated equivalently for the 35 per cent component-origin rule under the USI, and is eligible to participate in European Defence Projects of

¹⁰⁹ See "Ukraine Investment Framework", [European Commission](#)

¹¹⁰ See "Result of the EDF 2025 Calls for Proposals", [European Commission](#)

¹¹¹ See "Commission welcomes political agreement on the Defence Mini-Omnibus and possibility of Ukraine's participation in European Defence Fund", [European Commission](#)

¹¹² See "Commission to invest €1.07 billion in 57 defence projects supporting European Readiness Flagships", [European Commission](#)

¹¹³ See "European Defence Industry Programme: Council gives final approval", [Council of the EU](#)

¹¹⁴ See "EDIP Forging Europe's Defence", [European Commission](#)

Common Interest. Within the USI, €35.3 million funds the BraveTech EU defence-innovation action with Brave1.

Act in Support of Ammunition Production

The Act in Support of Ammunition Production (ASAP) mobilised €500 million to ramp up artillery shells, missiles, explosives and propellants. Adopted as Regulation (EU) 2023/1525 and in force from 25 July 2023, ASAP applied until 30 June 2025, with funded projects running to a maximum of 36 months from grant signature.¹¹⁵ The Commission estimates that ASAP triggered roughly €1.4 billion in total supply-chain investment and helped lift EU artillery-shell production capacity towards 2 million rounds per year by the end of 2025. As of May 2026, ASAP is operationally winding down, although individual grants continue execution. Its logic has been formally rolled into EDIP.¹¹⁶

European Defence Industry Reinforcement

The European Defence Industry Reinforcement through Common Procurement Act, EDIRPA, (Regulation (EU) 2023/2418, October 2023) was a short-term €300 million instrument that ran until 31 December 2025. On 14 November 2024 the Commission approved its five funded projects (each €60 million), covering Mistral and IRIS-T SLM air defence, the Common Armoured Vehicle System, and two 155 mm artillery projects, involving 20 Member States and underpinning combined procurement worth over €11 billion.¹¹⁷ EDIRPA has now expired and its logic is continued under EDIP's Industrial Reinforcement Actions. Ukraine's linkage was indirect: several selected projects supplied equipment intended for transfer to Ukraine, and the award criteria offered a Ukraine/Moldova bonus.

ReArm Europe / Readiness 2030

The umbrella political package was announced by Commission President Ursula von der Leyen on 4 March 2025, endorsed at the European Council of 6 March 2025, and reframed as Readiness 2030 later that month following objections from Italy and Spain.¹¹⁸ The accompanying White Paper for European Defence – Readiness 2030 was published on 19 March 2025. The plan aims to mobilise up to €800 billion across five pillars: the national fiscal escape clause (up to 1.5 per cent of GDP for defence over four years, worth perhaps €650 billion if fully activated), SAFE, redirected cohesion-fund flexibilities; expanded EIB defence lending, and private-capital mobilisation through the Savings and Investments Union. The €800 billion figure is a leveraged envelope, not committed EU spending, and its realisation depends on Member State budget decisions. Ukraine is integral to the plan's logic, since the SAFE special status, EDIP's USI and the EDF association all stem from Readiness 2030.

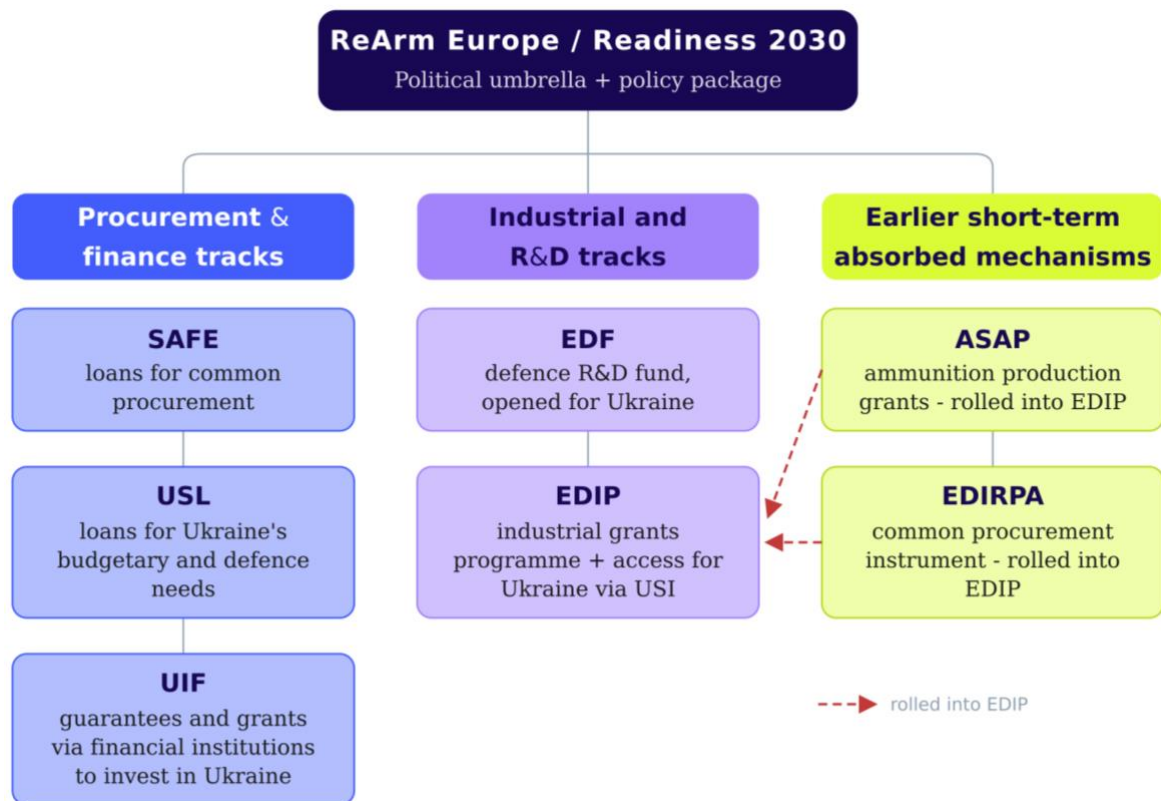
¹¹⁵ See "Regulation in support of ammunition production", [EUR-Lex](#)

¹¹⁶ See "ASAP: EU strengthens ammunition production capacity in Norway", [European Commission](#)

¹¹⁷ See "EU boosts defence readiness with first ever financial support for common defence procurement", [European Commission](#)

¹¹⁸ See "Future of European defence", [European Commission](#)

FIGURE 8. EU PROGRAMMES MAPPING



Source: KSE Institute

At the same time, NATO's support architecture for Ukraine now also spans multiple functions, too. **NSPA** acts as the procurement arm, dealing with multinational purchases and helping replenish stocks sent to Ukraine. Meanwhile, the NATO Innovation Fund and **UNITE-Brave NATO** support defence innovation – the former via investment in relevant defence-tech firms and the latter through joint NATO-Ukraine technology projects. **CAP** serves as the broader funding framework that finances key support programmes, while **NSATU** acts as the operational coordination platform, linking logistics, training, force development and procurement into a more coherent system.

NSPA procurement for Ukraine

The NATO Support and Procurement Agency stood up a dedicated Acquisition Directorate in 2025 and expanded its role as the principal multinational acquisition vehicle for Ukraine-related supply. A framework agreement signed with Rheinmetall in July 2025 for 120 mm tank ammunition generated first call-offs of about €200 million announced on 13 February 2026, much of it backfilling stocks transferred to Ukraine.¹¹⁹ NSPA had earlier awarded NATO's first counter-small-UAS multinational framework (to MyDefence and DroneShield via COBBS BELUX in 2024–25) and, in October 2025, the Nordic countries agreed on a joint micro-drone acquisition under an NSPA partnership. NSPA is also expected to handle a substantial share of procurement supporting NSATU activities.

¹¹⁹ See "Rheinmetall receives major NATO order for tank ammunition", [Rheinmetall](#)

NATO Innovation Fund and UNITE – Brave NATO

The NATO Innovation Fund is a standalone €1 billion VC vehicle backed by 24 NATO Allies, launched in 2023, with nineteen investments by mid-2025 (twelve directly into start-ups and seven into venture funds).¹²⁰ NIF cannot directly invest in Ukraine-domiciled companies, but a number of its portfolio firms operate intensively on the Ukrainian battlefield, most prominently Portuguese UAS maker Tekever (which reached unicorn status with over 10,000 operational flight hours in Ukraine) and German logistics-robot maker ARX Robotics. The complementary innovation channel is UNITE – Brave NATO, announced on 25 November 2025 and activated on 25 March 2026. It is the first joint NATO-Ukraine innovation programme, with an initial €10 million pot (50/50 NATO and Ukraine's Ministry of Digital Transformation), scalable to €50 million in 2026, for joint Allied-Ukrainian teams developing counter-UAS, air defence and frontline communications technologies.¹²¹ NATO's share is funded through the Comprehensive Assistance Package, first awards are due at the second NATO-Ukraine Defence Innovators Forum in Vilnius on 1–2 June 2026.

Comprehensive Assistance Package

The CAP (Comprehensive Assistance Package), launched in 2016 and converted into a multi-year programme at the 2023 Vilnius Summit, was endorsed in its current multi-year form at the Washington Summit of 9–11 July 2024. As of June 2025, Allies and partners had contributed over €1 billion to the Ukraine CAP Trust Fund.¹²² CAP-funded deliverables now include JATEC, the €100 million Renovator programme to rebuild five Ukrainian military rehabilitation centres (Latvia confirmed as fifth lead nation on 7 October 2025),¹²³ and NATO's share of UNITE–Brave NATO. CAP also sits alongside the Pledge of Long-Term Security Assistance (minimum €40 billion in 2024, exceeded with roughly €50 billion provided; a further €35 billion committed in 2025) and the Prioritised Ukraine Requirements List (PURL), under which Allies have committed over US\$4 billion to fund US-sourced equipment for Ukraine since August 2025.¹²⁴

NATO Security Assistance and Training for Ukraine

NATO Security Assistance and Training for Ukraine (NSATU) was agreed at the Washington Summit on 11 July 2024, absorbing the previously US-led SAG-U and the UK-led International Donor Coordination Centre.¹²⁵ It reached operational status by December 2024. In early January 2025, NATO assumed command and control from the United States of the air defences in Poland safeguarding NSATU's logistical enabling hubs. Headquartered at Clay Kaserne in Wiesbaden, NSATU reports to SACEUR via Lieutenant General Curtis A. Buzzard (US Army), dual-hatted as SAG-U commander, with German Major General Maik Keller as deputy from May 2025. Around 300 personnel from Allied and partner nations now serve at NSATU, including Ukrainian liaison officers. Its industrial-cooperation role is increasingly central. It coordinates logistics, training (over 192,000 Ukrainian personnel trained) and the Operational Force Development Framework launched at the Rzeszów conference in May 2025, and it coordinated the first four PURL packages totalling roughly US\$2 billion from August

¹²⁰ See "Amid increased momentum for defense, the NATO Innovation Fund refreshes its investment team", [TechCrunch](#)

¹²¹ See "NATO and Ukraine announce new joint-initiative to accelerate defence innovation: UNITE – Brave NATO", [NATO](#)

¹²² See "Comprehensive Assistance Package (CAP) for Ukraine", [NATO](#)

¹²³ See "Five NATO Allies support medical rehabilitation in Ukraine", [NATO](#)

¹²⁴ See "NATO Allies and partners fund over 4 billion in PURL packages for Ukraine", [NATO](#)

¹²⁵ See "About NSATU", [NATO](#)

2025 (Netherlands, Denmark–Norway–Sweden, Germany, Canada), giving NSATU a direct interface with Allied defence-industrial supply chains.

Joint Research and R&D Financing

Compared with the procurement and production tracks, the joint R&D layer of Ukraine's partnerships remains the least mature. Outside BraveTech EU, most bilateral arrangements with Ukraine in 2025–2026 are frameworks of intent or industrial co-production schemes rather than jointly capitalised, statutorily anchored research grant pools.

The clearest co-funded instrument is BraveTech EU, announced on 11 July 2025 at the Ukraine Recovery Conference in Rome by Mykhailo Fedorov and Defence Commissioner Andrius Kubilius: €100 million total, split 50/50 between the EU and Ukraine, with a Seed Phase launched in autumn 2025 and a Scale-Up Phase to follow.¹²⁶ EU funding flows through the EDF and EUDIS; EUDIO in Kyiv manages implementation on the EU side, Brave1 on the Ukrainian side. On 29 April 2026 the European Defence Agency signed a €35 million Contribution Agreement with the Commission to run Phase 2, testing emerging technologies via its Operational Experimentation (HEDI) model.¹²⁷

The Franco-Ukrainian track progressed in two steps. On 18 February 2025, at the Defense Tech Innovations Forum in Kyiv, France's Agence de l'innovation de défense (AID) and Brave1 signed a first Terms of Reference to coordinate testing and evaluation of innovative solutions for both countries' defence forces.¹²⁸ This was upgraded on 25 February 2026, when AID director Patrick Aufort and Brave1/Innovation Development Fund acting director Viktor Rudenko signed a Letter of Intent launching the Brave France initiative, a joint grant programme for defence start-ups scheduled for operational launch in Q2 2026.¹²⁹ Specific budgetary envelopes have not yet been published.

German–Ukrainian R&D was elevated on 14 April 2026, when Chancellor Friedrich Merz and President Volodymyr Zelensky signed a fifteen-page Strategic Partnership Declaration at the first Germany–Ukraine intergovernmental consultations in over twenty years, alongside roughly ten interministerial agreements and six industry memoranda.¹³⁰ The defence pillar centres on a €4 billion package and an MoU on the electronic exchange of military data, providing for analysis of German weaponry in Ukrainian use combined with Ukrainian data from DELTA and other digital platforms feeding joint AI models. A German–Ukrainian Working Group on the Defence Industry was established and joint production of 5,000 AI-enabled mid-range strike drones was announced. The declaration does not constitute a co-funded R&D pool comparable to BraveTech EU: the cooperation is organised through industry MoUs and bilateral framework agreements rather than a joint grant fund.

The British vehicle is Project Lyra, signed by Minister of State for Defence Luke Pollard and Defence Minister Denys Shmyhal on 11 October 2025 on the sidelines of DFNC3.¹³¹ Lyra establishes a joint working group combining British and Ukrainian defence-industrial and scientific expertise across drones, air defence and long-range effectors. The first programme under Lyra, Project Octopus, was announced by Prime Minister Keir Starmer on 10 September 2025 and confirmed in Pollard's written parliamentary answer of 23 January 2026. It industrialises a Ukrainian-designed air-defence

¹²⁶ See "BraveTech EU", [European Commission](#)

¹²⁷ See "EDA partners with the European Commission on BraveTech EU", [European Defence Agency](#)

¹²⁸ See "La France et l'Ukraine renforcent leur coopération en matière de défense", [Ministère des Armées](#)

¹²⁹ See "BRAVE FRANCE : la France et l'Ukraine accélèrent leur coopération en matière d'innovation de défense", [Ministère des Armées](#)

¹³⁰ See "Declaration on a strategic partnership between Germany and Ukraine", [President of Ukraine](#)

¹³¹ See "UK-Ukraine joint statement: Enhanced Security and Defence Industrial Collaboration Declaration", [GOV.UK](#)

interceptor for UK mass production, targeting several thousand drones per month with early units returned to Ukraine.¹³² Project Nightfall sits under the same umbrella for missiles.

Norway's principal vehicle remains the Nansen Support Programme, now totalling NOK 274.5 billion across 2023–2030, with NOK 85 billion for 2026 (NOK 70 billion military, NOK 15 billion civilian).¹³³ Within Nansen, a defence-industrial sub-component administered by the Norwegian Defence Research Establishment (FFI) supports Norwegian SMEs supplying technology for Ukraine. A Brave Norway track is listed by Brave1 alongside BraveTech EU and UNITE–Brave NATO, but a detailed public terms-of-reference document has not yet been located. No Norwegian–Ukrainian joint R&D fund of the BraveTech EU type yet exists in the public record.

At the EDF project level, the 2025 EDF call results awarded €1.07 billion to 57 collaborative R&D projects (€675 million for capability development, €332 million for research) involving 634 entities from 26 EU Member States and Norway.¹³⁴ Ukrainian participation is, for now, principally via subcontracting and third-party arrangements rather than full consortium membership. The flagship example is Project STRATUS, on AI-powered cyber-defence for drone swarms, which includes a Ukrainian subcontractor. Sub-calls within drone-munitions projects offer up to €60,000 to SMEs and start-ups, with Ukrainian firms eligible. The Commission has signalled that an association agreement for full Ukrainian EDF participation is being prepared.

Defence-relevant university partnerships remain thin. The most concrete link is the MoU signed on 12 December 2025 between Spain's INTEGRASYS, the Igor Sikorsky Kyiv Polytechnic Institute (KPI), Science Park Kyivska Politechnika and the Sikorsky Challenge innovation holding, formalising technology transfer and joint R&D in defence and security.¹³⁵ Deep, formalised Western co-funded defence-research programmes with Ukrainian universities remain underdeveloped: no Horizon Europe dual-use mechanism yet provides an obvious institutional vehicle.

Accelerators Open to Ukrainian Companies

The accelerator layer is the busiest part of the cooperation ecosystem in 2025–2026, and the part where Ukrainian agency, through Brave1, is most visible. It runs from the headline NATO and EU vehicles down to a fast-growing private venture-fund stratum.

NATO DIANA would normally be closed to Ukraine: Ukraine is not an Ally, so Ukrainian-domiciled firms cannot directly join standard DIANA cohorts or host DIANA-affiliated test centres. The picture changed on 5 December 2025, when DIANA Interim Managing Director James Appathurai announced at the 11th Kyiv Security Forum for Youth that DIANA had received a mandate to open its programmes to non-NATO partners for the first time, with Ukraine selected as the first such partner. A cooperation agreement is being negotiated to give Ukrainian firms access to DIANA's accelerator sites and test centres.¹³⁶ The complementary vehicle is UNITE – Brave NATO (see 4.1), coordinated by Brave1 and executed by NCIA. DIANA's 2026 cohort comprises 150 firms, more than double the 2025 intake.

DIANA's reach extends well beyond the Estonian and Polish sites detailed below. Its 2026 programme runs through sixteen accelerator sites and more than 200 test centres across the 32 Allies, coordinated

¹³² See "UK to mass-produce Ukrainian air defence drones", [UK Defence Journal](#)

¹³³ See "Allocation of funding under the Nansen Support Programme for Ukraine in 2026", [Government of Norway](#)

¹³⁴ See "Result of the EDF 2025 Calls for Proposals", [European Commission](#)

¹³⁵ See "INTEGRASYS Enters Strategic Defense and Security Partnership with Igor Sikorsky Kyiv Polytechnic Institute in Ukraine", [Integrasys](#)

¹³⁶ See "Ukraine to Join NATO DIANA Defense Innovation Program as First Non-NATO Partner", [Mezha](#)

from a London headquarters with a regional hub in Tallinn and a North American office in Halifax. Alongside Estonia's Tehnopol and the Kraków accelerator, prominent sites include Italy's OGR in Turin, Denmark's BioInnovation Institute in Copenhagen, MassChallenge in Boston and the Pacific Northwest Mission Acceleration Center in Seattle in the United States, and Communitech in Waterloo and COVE in Dartmouth in Canada. Because Ukraine is not an Ally, Ukrainian firms can neither host a DIANA site nor enter a standard cohort directly; their route in is therefore the partner-access agreement now under negotiation, together with the UNITE–Brave NATO channel, rather than a Ukraine-based DIANA accelerator.

The principal EU channel is the EU Defence Innovation Scheme (EUDIS), the SME and start-up arm of the EDF launched in 2021. Under the EDF 2025 work programme, Ukrainian entities became eligible for EUDIS acceleration support for the first time, and the second EUDIS Defence Hackathon (9–11 May 2025, eight EU locations) was framed around developing solutions for Ukraine and similar operational contexts.¹³⁷ EUDIS will be the channel through which BraveTech EU's Scale-Up Phase integrates Ukrainian start-ups into the EUDIS Business Accelerator.

Brave1 itself functions as an accelerator as much as a cluster. Founded in April 2023 by six Ukrainian institutions and championed by First Deputy Prime Minister Mykhailo Fedorov, it performs five functions: grant funding (an updated programme approved by the Innovation Development Fund supervisory board in August 2025 with 70 technological priorities and accelerated 1.5-month decision cycles); the Brave1 Marketplace (a defence-tech marketplace for the military), the Test in Ukraine platform offering controlled battlefield testing for foreign innovators (Diehl as first foreign participant), the Defense Tech Valley investment summit, and a portfolio of international partnerships including Brave France, Brave Norway, BraveTech EU and UNITE–Brave NATO. By 2025 Brave1 had evaluated more than 3,600 solutions. Institutional partners include C5 Capital (strategic partnership from October 2024), Japan's Rakuten, EUDIO Kyiv and NATO's NCIA.¹³⁸

The Test in Ukraine platform warrants closer description, as it is the principal mechanism through which foreign developers obtain combat validation. Initiated by Brave1, it accepts products at a readiness level of TRL 5–6 or above and offers two formats: independent testing, in which a company's own specialists are given direct range access to make real-time adjustments, and delegated testing, in which Brave1 runs the trials on the basis of a prior briefing. The platform provides logistical and legal support, including import procedures and data protection, and closes each cycle with a structured analytical report carrying recommendations from military experts. Ten priority categories are open for validation, spanning unmanned aerial, ground and maritime systems, electronic warfare, artificial intelligence, communications, and munitions and missile-propulsion systems. The practical value has been confirmed by specific cases: the German firm Diehl Defence trialled an unmanned ground vehicle at the range of the 3rd Separate Assault Brigade and received recommendations to adapt the hardware to frontline conditions, while the Dutch FDCL system demonstrated the integration of computer vision into the "Vovkulaka" interceptor drone for autonomous engagement of aerial targets. Successful validation is designed to flow into systemic funding through grant programmes such as Brave France and UNITE–Brave NATO (see 4.1–4.2) and EU support under EU4UA Defence Tech, which offers up to €150,000 per project, giving foreign innovators a route from combat-tested prototype towards scaled production.

¹³⁷ See "Europe Defence Fund 2025", [Zabala Innovation](#)

¹³⁸ See "Defense Tech Cluster Brave1", [Brave1](#)

Among national accelerators, Estonia is the most consequential. The Estonian Defence Accelerator, a DIANA-affiliated site run by Tehnopol Startup Incubator with Sparkup Tartu Science Park and Startup Wise Guys, offers DIANA's standard package (€100k Phase 1 grant; up to €300k for Phase 2) and links to nine DIANA-affiliated test centres including TalTech, the CR14 Foundation, the National Defence College and CCDCOE.¹³⁹ In September 2025 two Estonian companies, Wayren (resilient battlefield communications) and Telearmy (remote teledriving, already used on Ukrainian frontlines), advanced to DIANA Phase 2 from a field of 2,600 applicants. Although the accelerator itself accepts companies only from NATO countries, several portfolio technologies are battle-tested in Ukraine. SmartCap, the Estonian Defence Fund, invests up to €10 million per dual-use start-up aligned with NATO priorities.

Poland operates the Kraków DIANA Accelerator (Krakowski Park Technologiczny with AGH University), officially joining the DIANA network in 2026, plus seven Polish DIANA-affiliated test centres including PSNC AerospaceLab at EPPG Kąkolewo airfield. The NATO DIANA Defence and Security Days were held in Kraków on 4–6 February 2025.¹⁴⁰ Polish and Czech defence-industrial cooperation with Ukraine is otherwise principally production- and procurement-led (the Czech Ammunition Initiative, the PGZ-Ukroboronprom memorandum, Czechoslovak Group's subcontracting with Ukrainska Bronetehnika) rather than accelerator-based. The most striking new vehicle is 17Tech.fi, a Finnish accelerator that, in partnership with Ukrainian defence-innovation body Defence Builder, opened a Defence Tech Accelerator on 2 December 2025 offering European start-ups structured testing in Ukraine.¹⁴¹

The UK's Defence and Security Accelerator (DASA) is a Ministry of Defence body at Porton Down with a London hub at White City, operating Open Calls and Themed Competitions and having invested over £130 million since 2016. No public bilateral DASA-Ukraine programme or open Ukrainian-eligibility window has been identified; the substantive UK engagement runs through Lyra and DIANA rather than DASA.¹⁴²

The most active recent layer is the private accelerator and venture continuum, dominated by three vehicles. D3 (Dare to Defend Democracy), founded in July 2023 by Eveline Buchatskiy with Anton Verkhovodov and Elya Checheneva (LPs include former Google CEO Eric Schmidt), began as a \$10 million fund and is now above \$30 million; typical first cheque \$125,000 with up to roughly \$750,000 follow-on. By May 2025, D3 had invested roughly \$3.7 million across sixteen start-ups including Swarmer, Frontline, Zvook, Drone Space, Ailand Systems, HighCat, Tytan, Flightmind, Guardian and Neros, and it functions as a seed fund with embedded acceleration support.¹⁴³ Green Flag Ventures, a US-based \$20 million fund founded by Justin Zeefe and Deborah Fairlamb, focuses exclusively on Ukrainian dual-use AI and defence start-ups, with cheques in the \$100k–\$1.2 million range, its portfolio includes Himera, Kara Dag, Swarmer, Astra Nav, Falcons and Teletactica.¹⁴⁴ MITS Capital, founded January 2024 by Perry Boyle (formerly Point72), Denys Gurak and Anton Melnyk, runs a four-layer structure (MITS Lab, MITS Accelerator, MITS Lightning Fund and MITS Investment Bank). In

¹³⁹ See "NATO DIANA's Estonian Accelerator: a hub for defence innovation in Tallinn and Tartu", [NATO DIANA](#)

¹⁴⁰ See "NATO DIANA Defence & Security Days 2025", [PSNC AerospaceLab](#)

¹⁴¹ See "New programme fast-tracks European defence innovation with controlled testing in Ukraine", [Tech.eu](#)

¹⁴² See "Defence and Security Accelerator", [GOV.UK](#)

¹⁴³ See "D3 comes out of the shadows: inside the fund's 16-startup portfolio", [Defender Media](#)

¹⁴⁴ See "This fund is helping Ukrainian dual-use startups go global: interview with Green Flag Ventures co-founder Justin Zeefe", [Defender Media](#)

September 2025 MITS announced MITS Industries, a Copenhagen/Kyiv-based Danish-Ukrainian defence prime consolidating Tencore, Infozahyst, Unwave and a major drone producer.¹⁴⁵

Other vehicles include the Defence Builder Accelerator (Kyiv-based), the 1991 Accelerator with EBRD's Bridge to Scale for displaced Ukrainian-led civilian-tech start-ups (equity-free, €30k EBRD grants), and the Ministry of Defence's internal MoD Accelerator at mil-tech.gov.ua, focused on process automation and data analysis.

Data Exchange: Brave1 Dataroom

Data exchange between Ukraine and its partners runs in two directions. From the Ukrainian side, structured information about defence-industrial capacity is made available to verified foreign counterparties for procurement and due diligence purposes. From the partner side, intelligence-sharing and combat-data feeds support both Ukrainian operations and partners' own institutional learning. Both flows have grown considerably in 2025–2026, although neither is yet anchored in a single multilateral framework.

The principal Ukrainian instrument is the Brave1 Dataroom, a secure digital environment launched in January 2026 by the Brave1 cluster together with the Ministry of Defence, the Armed Forces, the Military Intelligence Research Institute and the US firm Palantir. Built on Palantir's software, it hosts curated visual and thermal datasets of aerial target initially Russian Shahed-type drones collected by the Defence Forces across varied weather conditions and times of day and gives security-vetted Ukrainian developers the structured battlefield data needed to train and validate AI and computer-vision models for autonomous detection, classification and interception, with full control of the data remaining on the Ukrainian side. By exposing models to the hardest "edge cases" – night-time or limited-visibility engagements – the Dataroom is intended to raise the effectiveness of air-defence systems and reduce the burden on operators, and in the longer term to serve as a channel for sharing battle-tested algorithms with allies. A separate strand of Ukrainian-side data sharing – giving verified foreign governments, primes and investors structured information on companies' production capacity, track record and certification to shorten due diligence – runs through Brave1's marketplace and procurement channels rather than the Dataroom.¹⁴⁶ Access is gated by mandatory security vetting, which protects sensitive battlefield data but also slows onboarding for newer entrants without an established relationship with Brave1.¹⁴⁷

Technology validation: the “Test in Ukraine” programme

The 'Test in Ukraine' programme, initiated by the Brave1 platform, serves as a globally unique mechanism for the rapid validation of defence technologies. It acts as a strategic bridge between international research and development (R&D) hubs and the live combat environment. Today, Ukraine possesses unprecedented, real-time experience in technological warfare, which has enabled the creation of an integrated ecosystem where R&D occurs directly on the battlefield. This initiative presents exceptional opportunities for global partners looking to innovate at maximum speed by securing immediate combat feedback from experienced military personnel. This approach allows foreign developers to optimise their systems for high-intensity warfare, bypassing a trajectory that would traditionally demand decades of simulations.

¹⁴⁵ See "MITS — Military Innovation Technology Solutions", [MITS Capital](#)

¹⁴⁶ See "Defense Tech Cluster Brave1", [Brave1](#)

¹⁴⁷ See "Defense Tech Cluster Brave1", [Brave1](#)

The efficiency of this collaboration is underpinned by a distinct operational structure. The process begins with company registration on the official portal and the submission of technical specifications to Technology Readiness Level (TRL) 5–6 or higher. Within the programme, developers are offered two testing formats:

- **Independent Testing:** Grants company specialists direct access to testing grounds to execute product modifications in real time;
- **Delegated Testing:** Where Brave1 organises and executes trials independently based on a prior briefing.

The entire process is accompanied by logistical and legal support – including import procedures and data protection regulations – and concludes with the delivery of a structured analytical report featuring recommendations from military experts.

The spectrum of technologies available for validation directly within the 'Test in Ukraine' programme encompasses ten priority categories. These include unmanned aerial, ground, and maritime systems, EW equipment, artificial intelligence, communications systems, as well as ammunition and rocket motors.

The practical utility of these sectors has already been validated by concrete case studies:

The German company **Diehl Defence** tested its Unmanned Ground Vehicle (UGV) at a training facility of the 3rd Separate Assault Brigade of the AFU, securing critical recommendations to adapt its hardware to frontline conditions.

The Dutch **FDCL** system demonstrated successful integration of computer vision into the 'Vovkulaka' interceptor drone for autonomous hunting of aerial targets.

International financing and grant support

Successful battlefield validation clears the path for companies to secure systemic financing through a network of international grant programmes, ensuring a smooth transition from combat prototype to mass production.

- The **Brave France** initiative is preparing joint grants to scale French and Ukrainian innovations in 2026.
- The **UNITE – Brave NATO** programme is already allocating between €10m and €50m for the development of solutions satisfying Alliance interoperability requirements.
- EU grant support under **EU4UA Defence Tech** enables individual projects to draw up to €150,000, integrating them into a unified European defence area.

Consequently, Ukraine has officially transformed into a global hub for military-technical innovation, where manufacturers develop hardware that is 'combat-proven' prior to its official adoption by other nations worldwide.

Intelligence sharing and international channels

Intelligence sharing in the reverse direction constitutes the most operationally significant data flow yet remains the least visible. The primary channels are bilateral.

The United States provides satellite imagery, signals intelligence (SIGINT), and targeting support via mechanisms active since 2022 and formalised in subsequent security agreements.

The United Kingdom contributes through the Government Communications Headquarters (GCHQ) and the 100-Year Partnership Agreement signed in January 2025, which features a dedicated intelligence and cyber pillar.

Germany's Declaration on Strategic Partnership dated 14 April 2026 includes a MoU on the Electronic Exchange of Military Data. This provides for the analysis of German weaponry in Ukrainian service alongside data streams from DELTA and other Ukrainian digital platforms into joint AI models.

At the multilateral level, the **NSATU** Force Development Directorate (NATO Security Assistance and Training for Ukraine) and **JATEC** (Joint Analysis, Training and Education Centre) increasingly function as an institutional layer through which Ukrainian operational data feeds into NATO planning, though foundational intelligence-sharing relationships remain strictly bilateral.

Structural interoperability gaps

Two structural gaps persist within this framework. First, there is no centralised EU–Ukraine intelligence-sharing mechanism: even within the Council of the EU and the European External Action Service (EEAS), data exchanged between EU intelligence bodies and Ukrainian counterparties is filtered through the channels of individual Member States. Second, there is no official channel at the Alliance level: because Ukraine is not a NATO ally, no formal, real-time intelligence-transmission channel exists at the Alliance level, and intelligence integration occurs through ad hoc bilateral arrangements, coordinated where possible via NSATU.

The result is a system in which the most operationally valuable data exchange remains opaque and dependent on individual bilateral trust rather than codified procedure.

Joint Training and Battlefield-Experience Exchange

By 2025–2026 the architecture of training and lessons-learned exchange between Ukraine and its partners had grown more institutionalised than during the improvised early phase of the war, although it retains significant ad hoc and bilateral features. The structural change is that at the 2024 Washington Summit Allies created two NATO bodies dedicated to Ukraine, NSATU at Wiesbaden and JATEC at Bydgoszcz, which together with EUMAM Ukraine, Operation Interflex and the residual SAG–U now form the framework through which partner forces both train Ukrainians and absorb their combat experience.

Operation Interflex remains the largest single training pipeline. The Ministry of Defence announced on 26 June 2025 that more than 56,000 Ukrainian soldiers had been trained on British soil by the UK and thirteen partner nations (Australia, New Zealand, Canada, Denmark, Finland, the Netherlands, Norway, Sweden, Albania, Estonia, Kosovo, Lithuania and Romania).¹⁴⁸ By the time of the rolling UK government factsheet update later in 2025 the figure had risen above 62,000.¹⁴⁹ On 24 August 2025, Defence Secretary John Healey extended Interflex to the end of 2026 and announced a structural shift towards seven-week courses with new platoon and section-leader command modules and an instructor-training course, aimed at allowing the Defence Forces of Ukraine to regenerate their own

¹⁴⁸ See "Operation Interflex reaches three-year milestone", [GOV.UK](#)

¹⁴⁹ See "UK support to Ukraine: factsheet", [GOV.UK](#)

training cadres.¹⁵⁰ Interflex now incorporates FPV drone instruction. By late 2025 Ukrainian operators were themselves teaching Australian, Swedish and Finnish drone pilots on UK ranges, with combat-derived tactics fed back into the syllabus.¹⁵¹

EUMAM Ukraine, run by the EU Military Staff's MPCC through the Combined Arms Training Command in Żagań, Poland and the Special Training Command in Strausberg, Germany, is the larger of the two pipelines. The Bundeswehr reported that by May 2025 EUMAM had trained more than 75,000 Ukrainian personnel across 22 participating European nations, of whom roughly 20,000 had been trained in Germany.¹⁵² The Council of the EU updated the figure to over 93,000 by late 2025, with European Peace Facility financing reaching €610 million (€435 million for common training costs and €175 million for equipment), and the mandate extended to 15 November 2026 under a €409 million allocation agreed on 8 November 2024.¹⁵³ A strategic review in October 2025 indicated that Brussels was contemplating moving part of EUMAM onto Ukrainian soil and raising throughput from roughly 4,000 to 20,000 trained soldiers per month, although three pilot training centres in western Ukraine were not yet fully operational owing to infrastructure and trainer gaps.¹⁵⁴

NSATU was declared operational in December 2024 and, by August 2025, was staffed by around 350 core personnel from 31 NATO and partner nations.¹⁵⁵ It absorbed SAG-U and the UK-led International Donor Coordination Centre and operates two Logistics Enabling Nodes (LEN-P in Rzeszów; LEN-R in Romania). The institutional vehicle for lessons exchange is the Operational Force Development Framework (OFDeF), a Ukrainian-led, Poland-hosted planning cycle whose fourth iteration in September 2025 drew more than 900 participants from the AFU, NSATU, SAG-U, EUMAM, NATO agencies and partner nations, with working groups on unmanned systems, electronic warfare, cyber, medical, logistics and training synchronisation.¹⁵⁶ NSATU has published Ukraine Logistics Lessons 2025 and Ukraine Counter Uncrewed Aircraft Systems Lessons Learned as standing products.

JATEC is the most explicitly experience-focused body. Inaugurated on 17 February 2025 in Bydgoszcz, co-located with NATO's Joint Force Training Centre and reporting directly to Allied Command Transformation, it is the first joint NATO-Ukraine civil-military entity, led by Polish Brig Gen Wojciech Ozga.¹⁵⁷ Initial Operational Capability was declared with 33 staff at opening, ramping to 74 by Full Operational Capability scheduled for end-2026.¹⁵⁸ In November 2025 NCIA contracted Google to provide a classified, air-gapped cloud and AI environment to host JATEC's analytic work, a signal that data-sharing from Ukrainian operations into NATO planning is being put on a permanent technical footing.¹⁵⁹

NATO's Joint Analysis and Lessons Learned Centre (JALLC) has run a dedicated JALLC-UKR Initiative since 2024, staffed by the Ukraine-Russia Lessons Analysis Team (JURLAT). Its annual reports for the Joint Force Training Centre, including the 2025 edition, cover manoeuvre, fires, C2, intelligence,

¹⁵⁰ See "British training of Ukrainian troops extended through 2026 as UK marks Ukrainian Independence Day", [GOV.UK](#)

¹⁵¹ See "Training mission for Ukrainian soldiers evolves to keep pace with drone threats on the battlefield", [NATO](#)

¹⁵² See "Germany – EUMAM UA", [Bundeswehr](#)

¹⁵³ See "EU military support for Ukraine", [Council of the EU](#)

¹⁵⁴ See "EU May Train Troops Inside Ukraine As Part Of Expanded Mission", [RFE/RL](#)

¹⁵⁵ See "NATO Security Assistance and Training for Ukraine (NSATU)", [NATO](#)

¹⁵⁶ See "Forging the Future of Ukraine's Combat Power: One Year of Force Development", [NATO](#)

¹⁵⁷ See "NATO and Ukraine Open the Joint Analysis Training and Education Centre", [NATO ACT](#)

¹⁵⁸ See "NATO-Ukraine Joint Analysis Training and Education Centre (JATEC) achieves Initial Operating Capability", [NCIA](#)

¹⁵⁹ See "Joint Ukraine-NATO training and analysis team gets classified, AI-enabled Google Cloud", [Breaking Defense](#)

logistics, force protection, CIMIC, uncrewed systems, contested logistics, multi-domain operations and emerging or disruptive technologies.¹⁶⁰

US institutional learning is channelled through TRADOC, the Army War College and Army University Press. The Army War College Press's *A Long, Hard Year: Russia-Ukraine War Lessons Learned 2023*, edited by John Nagl and Michael Hackett, was released in early 2026 as the second instalment of a TRADOC-commissioned integrated research project.¹⁶¹ Germany's Bundeswehr functions as the second-largest EUMAM contributor, with institutional learning most developed in medical, armour, artillery and air-defence domains. In April 2025 the Federal Ministry of Defence formally inducted loitering munitions (Helsing HX-2 and Stark Defence systems) into the Bundeswehr's inventory, citing Ukrainian battlefield evidence as the doctrinal trigger.¹⁶²

Ukrainian instructors abroad are now a verified phenomenon. The clearest cases are exercise-based rather than embedded postings. At Estonia's Hedgehog 2025 in May 2025 (16,000 troops from 12 NATO nations), a ten-person Ukrainian opposing-force team using FPV drones and the DELTA cloud battle-management system simulated the destruction of seventeen armoured vehicles and roughly thirty strikes in half a day.¹⁶³ Within Interflex itself, Ukrainian instructors now teach allied personnel, most documented for Australia, Sweden and Finland, on FPV drone tactics.¹⁶⁴

The 2025–2026 picture is one of uneven structuring. The framework (NSATU, JATEC, EUMAM, Interflex, JALLC-UKR, OFDeF) is now multilaterally agreed and resourced. Information flow into NATO doctrine, exercise scenarios and procurement decisions is increasing, and the reverse-flow of Ukrainian instructors teaching partners is now an officially endorsed practice. Three weaknesses persist. First, virtually all EU and NATO training still takes place outside Ukraine, creating a structural delay: tactics already evolve on the front while recruits are still in foreign classrooms, a point underlined by RAND Europe's November 2025 study on Ukrainian lessons-learned culture.¹⁶⁵ Second, there is no NATO-wide formal liaison-officer programme embedding partner officers within Ukrainian frontline units; what exists is a patchwork of bilateral arrangements and the OFDeF planning rotation. Third, much of the exchange depends on personal networks and exercise-based encounters rather than codified curriculum updates.

Cooperation Gaps

Three comparative cases (Israel, South Korea and Taiwan) illuminate specific institutional gaps that remain in Ukraine's partner architecture. Each model rests on legal or organisational features that Western support for Ukraine has not yet reproduced.

Israel: permanent R&D foundations and decade-long compacts

The US–Israel defence-industrial relationship rests on three institutional pillars without equivalent for Ukraine. The first is the Binational Industrial Research and Development (BIRD) Foundation, established by Congressional legislation in 1977 and capitalised by an endowment provided equally by

¹⁶⁰ See "The JALLC-UKR Initiative", [NATO JALLC](#)

¹⁶¹ See "A Long, Hard Year: Russia-Ukraine War Lessons Learned 2023", [US Army War College Press](#)

¹⁶² See "Germany Turns to Loitering Munitions to Modernize its Military in Response to Ukraine War", [Army Recognition](#)

¹⁶³ See "A NATO Wargame in Estonia Let Ukrainian Drone Experts Play the Bad Guy and the Results Were Brutal", [19FortyFive](#)

¹⁶⁴ See "Ukrainian Troops Train International Partners in FPV Drone Warfare During UK-Based Exercises", [The Gaze](#)

¹⁶⁵ See "Lessons learned: Understanding the role of military organisational and adaptation culture for the future of Ukraine's defence", [RAND](#)

both governments. BIRD offers conditional grants covering up to 50 per cent of a joint project's budget, capped at \$1.5 million per project, to pairs of American and Israeli companies, with repayment owed only as royalties if commercialisation succeeds. Since inception the Foundation has approved roughly 1,000 projects, disbursed over \$406 million in grants and generated an estimated \$10 billion in downstream sales.¹⁶⁶ Vertical programmes (BIRD Energy, BIRD Cyber, BIRD Homeland Security) extend the same risk-sharing model into priority dual-use domains.

The second pillar is the Directorate of Defense Research and Development (DDR&D, or MAFAT), a joint Israeli MoD-IDF body that signs government-to-government R&D agreements with US counterparts including DARPA and the Missile Defense Agency. MAFAT's most prominent products (Iron Dome, David's Sling, Arrow-2/3 and the Trophy Active Protection System) are co-developed and co-produced with US primes under formal licensing arrangements. The Raytheon-Rafael Protection Systems joint venture opened a \$33 million Tamir/SkyHunter interceptor facility in East Camden, Arkansas, in November 2025 and secured a \$1.25 billion production contract.¹⁶⁷ The third pillar is the 10-year US-Israel Memorandum of Understanding (FY2019-FY2028), signed September 2016, which commits \$38 billion at \$3.8 billion annually.¹⁶⁸

Gap for Ukraine. No partner offers anything comparable to a BIRD-style joint R&D fund: a permanent, capitalised endowment under bilateral statute, channelling 50/50 cost-share grants to commercial pairings of Ukrainian and foreign firms with royalty-based repayment. Ukraine also has no multi-year financing instrument equivalent to the US-Israel MOU. Western support is appropriated annually through emergency supplementals or EU facilities, with no decade-long compact enabling Ukrainian planners to commit acquisitions on a ten-year horizon. And while Ukrainian firms now licence components to Western primes case by case, no programme yet replicates the Trophy or Iron Dome model of a foreign-developed Ukrainian system mass-produced in an allied country under a joint venture with sovereign-grade IP protections.

South Korea: statutory offsets and binding technology transfer

South Korea's export-defence model combines indigenous R&D with technology-transfer packaging. The KAI KF-21 Boramae programme, launched in 2015, brought Indonesia in as a 20 per cent partner expected to contribute roughly 1.7 trillion won in return for technology transfer and a prototype aircraft, after Indonesian payment defaults and a 2024 technology-leak incident at KAI, Seoul and Jakarta renegotiated Jakarta's share down to 600 billion won in June 2025.¹⁶⁹ The K2 Black Panther partnership with Poland is more advanced, a July 2022 framework agreement for up to 1,000 tanks, a first executive contract worth \$3.4 billion, and a second contract in August 2025 worth approximately \$6.5 billion of which 64 are full K2PL variants to be assembled at Bumar-Łabędy in Gliwice from 2028. On 28 October 2025, ZM Bumar-Łabędy and Hyundai Rotem signed a binding technology-transfer agreement covering hull, turret, chassis, hydropneumatic suspension, main armament and charging system, alongside level-4 maintenance authority.¹⁷⁰

Institutionally, the model is anchored by the Defense Acquisition Program Administration (DAPA), which since 2006 has consolidated procurement, offset negotiation and export promotion. South

¹⁶⁶ See "About BIRD", [BIRD Foundation](#)

¹⁶⁷ See "R2S receives \$1.25 billion Tamir production contract for facility in Camden, Arkansas", [RTX](#)

¹⁶⁸ See "FACT SHEET: Memorandum of Understanding Reached with Israel", [The White House](#)

¹⁶⁹ See "Indonesia, South Korea sign revised KF-21 development agreement", [Breaking Defense](#)

¹⁷⁰ See "Polish ZM Bumar-Łabędy and South Korea's Hyundai Rotem Company sign breakthrough technology-transfer agreement for K2PL tank production", [MILMAG](#)

Korea's offset policy requires offset packages on any foreign procurement above \$10 million; between 2017 and 2021 DAPA secured \$736 million in offset value across 43 programmes.¹⁷¹

Gap for Ukraine. Ukraine's procurement of Western platforms has so far been donor-driven rather than industrially conditioned. There is no Ukrainian equivalent of DAPA's statutory offset regime requiring that purchases above a threshold trigger technology transfer, co-production or component-export commitments. With the post-war pipeline now opening, the absence of an offset law leaves Ukrainian primes outside the supply chains being created around them. No allied partner has yet offered Ukraine the Polish K2PL combination of binding technology transfer covering hull, turret and main armament alongside sovereign level-4 service authority on its own soil.

Taiwan: statutory anchoring and a sovereign drone alliance

Taiwan's model is shaped by the absence of formal diplomatic recognition. The Taiwan Relations Act (1979) supplies the statutory basis for arms transfers, channelled through TECRO and notified to Congress by the Defense Security Cooperation Agency. On 17 December 2025 the State Department cleared eight FMS cases worth \$11.1 billion, the largest single Taiwan package on record.¹⁷² Total US arms-sale backlog to Taiwan stands at approximately \$32 billion. The National Chung-Shan Institute of Science and Technology (NCSIST) acts as Taiwan's flagship state defence-research body, anchoring an asymmetric strategy framed around lessons from Ukraine.

Taiwan's Drone Supply Chain Alliance (TEDIBOA), launched by the Ministry of Economic Affairs in September 2024 and chaired by Aerospace Industrial Development Corporation, has expanded from around 50 firms at inception to over 200, organised explicitly around a non-red supply chain to qualify for the US Department of Defense's Blue UAS list. Thunder Tiger became the first Taiwanese firm added to that list in September 2025.¹⁷³ Taiwanese drone exports to the US rose from 278 units in 2023 to 5,017 by July 2025, and TEDIBOA has signed cooperation MOUs with Poland, Lithuania and Latvia, but not with Ukraine.¹⁷⁴

Gap for Ukraine. Ukraine has no sovereign-led industrial alliance structured explicitly around qualifying its drone makers for the US Blue UAS list and equivalent NATO-partner certifications, a key requirement for accessing Western federal procurement budgets. Although Ukrainian drones are combat-validated at far higher volumes than Taiwan's, Ukrainian companies remain largely outside Pentagon authorised vendor lists. No formal Ukraine-Taiwan defence-industrial channel exists, the cooperation MOUs AIDC has signed with Poland, Lithuania and Latvia have not been extended to Kyiv. And Taiwan benefits from a statutory anchoring of its US relationship that produces a predictable cadence of FMS approvals across administrations, Ukraine's access to US weapons remains discretionary, supplemental and politically contingent, with no equivalent legislative architecture.

Conclusion

By May 2026 the cooperation architecture around Ukraine is no longer the improvised assemblage of 2022–2023. The institutional framework is in place: SAFE and EDIP make Ukraine a structural element of European defence financing, the EDF is legally open, NSATU and JATEC give NATO permanent organs dedicated to Ukrainian assistance and joint analysis, UNITE-Brave NATO, BraveTech EU and

¹⁷¹ See "Defense Acquisition Program Administration (DAPA)", [DAPA](#)

¹⁷² See "US greenlights massive, \$11 billion military arms package to Taiwan", [Breaking Defense](#)

¹⁷³ See "Taiwan Drone Alliance Quadruples Size, Fortifies Supply Chain", [Aviation Week](#)

¹⁷⁴ See "The Future of Taiwan-US Drone Cooperation", [The Diplomat](#)

Brave France create the first generation of joint innovation pools, DIANA is opening to its first non-NATO partner, and the private-venture stratum (D3, Green Flag, MITS) has grown into a transatlantic defence-tech ecosystem.

Across these tracks the cooperation works unevenly, and the pattern is now clear enough to rank. The densest and fastest-moving activity is in accelerators and in procurement-and-production: the accelerator layer is the busiest part of the ecosystem and the one most open to Ukrainian agency through Brave1, while partner-state funding and co-production have produced the largest and most tangible results. EU and NATO programmatic financing has matured furthest of all – SAFE, EDIP, the Ukraine Support Loan and the EDF now embed Ukraine structurally rather than treating it as an external recipient. Data exchange and joint training are extensive but lopsided: training has processed well over 250,000 personnel yet still runs almost entirely outside Ukraine and lags the front by months, while the most valuable data flows – allied intelligence and battlefield feeds – remain bilateral and opaque. Joint research and development are the weakest link. Outside BraveTech EU, most arrangements are statements of intent rather than capitalised joint funds, and no permanent binational research foundation of the kind described below yet exists.

Among individual partners, no country is active across every track, but a clear hierarchy emerges. Germany comes closest to doing everything: it is the largest industrial partner in co-production, runs a hybrid funding model, signed a fifteen-page Strategic Partnership Declaration with a €4 billion defence package and a military-data exchange MoU, ranks as the second-largest training contributor through EUMAM, and is building dedicated institutions to channel investment into Ukrainian industry. Denmark is the standout on financing architecture – the originator and largest administrator of the direct procurement model, with the due diligence and oversight machinery (DALO) that others lack, and an early mover on co-production. Estonia leads the accelerator track, hosting a DIANA regional hub, a DIANA-affiliated national accelerator and a dedicated defence fund. The United Kingdom is strongest in co-production and training, pairing the Octopus and Lyra programmes with the Interflex pipeline and an intelligence-sharing partnership, while France is the principal builder of the joint R&D track through Brave France; other Nordic and Baltic states (Norway, the Netherlands, Lithuania, Latvia, Finland) punch well above their weight on funding and co-production. In short, Germany is the most comprehensive partner, Denmark the most effective funder and Estonia the accelerator leader – and the broader lesson is that cooperation moves fastest where money, a defined customer and a clear framework coincide, and stalls wherever structural R&D, reverse knowledge flows or a long-term legal basis are still missing.

The comparison with Israel, South Korea and Taiwan shows what this framework still lacks. There is no permanent, statutorily capitalised binational R&D foundation modelled on BIRD, no decade-long financing compact comparable to the US–Israel MOU, no statutory offset regime comparable to DAPA, no flagship Western platform mass-produced under sovereign Ukrainian level-4 authority on Ukrainian soil, no Blue UAS-style qualification alliance, and no legislative anchor binding successive US administrations to a predictable Ukraine transfer pipeline. The training architecture has the inverse problem: a substantial multilateral framework that has trained well over 250,000 Ukrainian personnel cumulatively, but a flow of battlefield knowledge into NATO doctrine still constrained by

the absence of formal liaison-officer postings inside Ukrainian frontline units and by curricula that lag the front by months. Data exchange shows a similar pattern: Brave1 Dataroom provides a workable Ukrainian-side channel, but intelligence-sharing in the opposite direction remains bilateral, with no EU- or NATO-level architecture.

PRACTICAL CONSIDERATIONS FOR COOPERATION WITH UKRAINIAN COMPANIES

- **The Office of the President** is playing a key role in framing strategic priorities and advancing intergovernmental cooperation. Different bodies are also involved: the **Ministry of Defence** coordinates Build in/with Ukraine and defines military needs, the **National Security and Defence Council** coordinates the Drone Deal and ensures that Ukraine's military needs are prioritised before exports are approved.
- **Bravei** and national defence associations can help foreign companies identify Ukrainian partners and navigate cooperation with private and state-owned manufacturers.
- The multi-tier structure makes defence-industrial deals difficult to implement even when political and commercial interest is strong. Without a single project pathway, partners face **unclear entry points, overlapping approvals**, and inconsistent signals from several centres of power, caused by **political competition** and often insufficient **institutional capacity**.
- **Due diligence** is a necessary but painful trade-off companies must make: they must prove they are credible enough to receive funding, but every extra layer of detail can **expose sensitive operational information**.
- In bank financing, the main issue is repayment capacity, but the **hardest problem is collateral**. Banks want cash flow evidence, assets, and production data, and when large defence companies **cannot use state portfolio guarantees** available only to MSMEs, they are pushed to disclose more about physical assets.
- The banking model is **gradually shifting toward less intrusive verification** – a move from direct site inspections to reliance on Ministry of Defence documentation, and recognition of certified internal quality systems as proof of production capability.
- In partner financing, apart from financial “health”, the **focus is on practical delivery**. The checks assess ownership, security, production capacity, supply chains, compliance, and product quality, with built-in physical inspections, reporting, and payment traceability.
- Due diligence should be redesigned to **give funders confidence without exposing sensitive details**. The data can be aggregated instead of being highly granular. There should be tiered supply chain checks, broader use of trusted certifications such as ISO 9001 and AQAP 2110, and external guarantee tools to reduce reliance on hard collateral.

Key Actors and Stakeholders in Defence Partnership Deals

Defence-industrial cooperation with Ukraine involves a wide range of public institutions, procurement bodies, industry actors, and coordination platforms. Unlike a standard commercial transaction, a defence partnership is not concluded only between two companies. It normally requires political approval, alignment with Ukraine's defence priorities, legal and export control checks, procurement or donor-financing arrangements, and in many cases the identification of a Ukrainian industrial partner. This makes the deal-making process multi-layered and highly dependent on coordination between institutions.

The number of actors involved reflects the sensitivity of defence-industrial cooperation. Projects may involve military and dual-use goods, technology transfer, joint production, repair facilities, export-controlled components, or access to operational feedback from the battlefield. For this reason, decisions are shaped not only by commercial logic, but also by military needs, national security priorities, export control rules, intergovernmental agreements, and the availability of financing. A

foreign company seeking to cooperate with Ukraine must therefore understand not only the market, but also the institutional pathway through which cooperation is assessed, approved, financed, and implemented.

The institutional landscape can be divided into three broad tiers. The first tier consists of policy and strategy actors that define political priorities and provide top-level direction. The second tier includes procurement, operational, and regulatory bodies that turn strategic intent into contracts, approvals, and implementation mechanisms. The third tier includes innovation and industry actors that connect foreign partners with Ukrainian companies, technologies, testing opportunities, and industrial capacity. Together, these tiers form the practical architecture through which defence-industrial partnerships are developed.

Tier 1: policy and strategy

The first tier includes the institutions responsible for political framing, strategic direction, and intergovernmental coordination. These actors do not necessarily manage every transaction directly, but they shape the environment in which defence-industrial cooperation takes place. Their role is especially important for large-scale partnerships, joint ventures with foreign primes, cooperation under intergovernmental agreements, and projects that require political guarantees or high-level coordination.

Presidential Office/Advisor on Strategic Industries

The Presidential Office, specifically, the Advisor on Strategic Industries, plays a central role in setting the political framing of defence-industrial partnerships. It helps define cooperation with foreign defence companies not merely as commercial activity, but as part of Ukraine's broader wartime industrial strategy and long-term integration into the Euro-Atlantic security architecture. This political framing matters because many partnerships require confidence that cooperation is supported at the highest level and aligned with national priorities. For foreign partners, top-level political support can reduce uncertainty and signal that a project is strategically relevant.

The Presidential Office also helps set the direction for intergovernmental cooperation. Defence-industrial projects cannot be advanced only through company-to-company negotiations, especially where they involve sensitive technologies, export controls, military procurement, or state financing. The Presidential Office is responsible for securing key intergovernmental agreements that create the political and legal foundation for further defence-industrial partnerships. These agreements do not replace company-level contracts or procurement decisions, but they establish the framework for joint production, technology transfer, localisation, repair and maintenance, and partner financing. In this way, the Presidential Office helps turn bilateral political commitments into an enabling environment for subsequent cooperation between ministries, procurement agencies, Ukrainian companies and foreign defence manufacturers.

First Deputy Prime Minister & Minister of Energy

The First Deputy Prime Minister and Minister of Energy also plays an important coordination role across the government, particularly in relation to defence-industrial investment and the state-owned defence sector. This role is relevant because defence-industrial cooperation often requires more than defence policy alone. It may involve industrial policy, investment conditions, state-owned enterprise governance, production facilities, and coordination between ministries. The oversight of Ukroboronprom adds another layer of importance, as the state defence holding remains one of the

key institutional partners for foreign companies seeking to enter the Ukrainian defence market through state-linked structures.

National Security and Defence Council

The National Security and Defence Council provides top-level policy coordination on national security issues. In the context of defence-industrial cooperation, its role is important because partnerships must be aligned with Ukraine's military needs and national security priorities. One of the key principles associated with this level of coordination is the protection of Ukraine's right of first refusal for military needs before exports are approved. This principle reflects the wartime logic of Ukraine's defence-industrial policy: even if companies seek export opportunities, the needs of the Defence Forces remain the priority.

The National Security and Defence Council is also involved in coordinating specific strategic initiatives, including the Drone Deal. This reflects the growing importance of unmanned systems and defence innovation in Ukraine's cooperation with partners. Such initiatives require coordination between military demand, domestic producers, foreign governments, donors, and procurement bodies. The NSDC's role is therefore not only policy-oriented but also connected to ensuring that strategic defence-industrial initiatives are aligned across the state.

Ministry of Defence

The Ministry of Defence is one of the most important entry points for foreign partners. It coordinates cooperation under Build in Ukraine and Build with Ukraine approaches, defines military requirements, and helps connect industrial cooperation to the actual needs of the Armed Forces and broader Defence Forces. For foreign companies, the Ministry of Defence is often the institution that signals what Ukraine needs, which capabilities are prioritised, and how a proposed project fits into the defence ecosystem.

The Ministry's role is particularly important because defence-industrial cooperation must be demand-driven. A project may be technologically advanced or politically attractive, but it will not become operationally relevant unless it corresponds to real battlefield requirements. The Ministry of Defence therefore helps translate military needs into industrial priorities. It also plays a role in coordinating with foreign partners that want to understand where their technologies, production capacity, or financing can be most useful.

General Staff

The General Staff provides the operational perspective by identifying and prioritising frontline requirements. Its role is essential because Ukraine's defence-industrial cooperation is shaped by real-time battlefield needs. The General Staff helps define what capabilities are most urgently required, which systems are operationally effective, and where gaps remain. This input is critical for ensuring that industrial partnerships are not driven only by supply-side proposals, but by the actual needs of the battlefield.

Together, Tier 1 institutions provide strategic direction and political legitimacy. They help answer the highest-level questions: whether a partnership is aligned with Ukraine's defence priorities, whether it supports the needs of the DFU, whether it should be advanced through intergovernmental channels, and whether it fits into Ukraine's broader defence-industrial strategy. However, these institutions do not by themselves complete a deal. Their strategic direction must be translated into regulatory

approvals, contracts, procurement mechanisms, and industrial implementation through the next tiers.

Tier 2: procurement and operations

The second tier consists of institutions responsible for operationalising defence-industrial cooperation. These actors connect strategic decisions with practical implementation. They deal with procurement, export control, interagency coordination, bilateral agreements, and the contractual mechanisms through which funding reaches manufacturers.

Interagency Commission for Policy in Military-Technical Cooperation and Export Control

The Interagency Commission for Policy in Military-Technical Cooperation and Export Control plays a coordination role between state institutions and the defence industry. Its function is important because defence-industrial cooperation often cuts across several areas of state responsibility: military needs, export controls, industrial capacity, international cooperation, and defence-sector reform. The Commission helps align these efforts and supports a more coordinated approach to military-technical cooperation.

One of its important functions is determining whether a company has surplus capacity not required for the needs of the Ukrainian Defence Forces. This is a crucial issue in wartime. Ukraine must ensure that domestic production first serves urgent military needs. At the same time, companies need a pathway to develop production, attract partners, and potentially access export markets where this does not undermine domestic supply. Assessing surplus capacity helps balance these two objectives. It protects Ukraine's defence needs while creating a basis for controlled industrial cooperation and possible exports.

State Service of Export Control

The State Service of Export Control is one of the most important regulatory actors in the deal-making process. It issues export licences and determines whether specific military or dual-use goods can be transferred, exported, or re-exported. Its role is central because many defence-industrial partnerships involve controlled goods, components, technologies, or technical documentation. Without export control approval, a project may not be able to move beyond production for domestic use, and in some cases may not be able to receive foreign inputs or transfer technology.

Ministry of Foreign Affairs

The Ministry of Foreign Affairs plays a key role in concluding intergovernmental and bilateral agreements that support defence-industrial cooperation. As mentioned above, bilateral agreements can create the legal and political basis for joint production, technology transfer, export control facilitation, partner-state financing, training, repair centres, or other forms of cooperation.

The MFA's role is therefore not only diplomatic but also enabling. By negotiating and formalising agreements with partner countries, it helps create the framework within which defence companies can cooperate. This is particularly relevant where donor-financed procurement or government-backed industrial projects depend on intergovernmental arrangements. For companies, the existence of such agreements can reduce uncertainty and provide a clearer route for implementation.

Ukrainian Defence Procurement Agency

The Ukrainian Defence Procurement Agency is the key contractual vehicle for partner state funding. It can sign contracts directly with Ukrainian manufacturers, making it an important bridge between foreign financing and domestic production. This role has become increasingly important as partner states look for ways to finance Ukrainian-made defence products rather than only donate equipment from their own stocks. Through this mechanism, foreign funding can be converted into direct procurement from Ukrainian companies.

This function is strategically significant for Ukraine's defence-industrial base. Direct contracts with Ukrainian manufacturers create demand, provide revenue, and help companies scale production. They also make partner-state funding more effective by linking financial support to products that are already adapted to Ukrainian battlefield needs. For foreign partners, this mechanism provides a way to support Ukraine while strengthening its domestic industrial capacity. For Ukrainian companies, it creates a clearer route from validated product to financed procurement.

Tier 2 actors therefore perform the practical functions that turn political intent into executable deals. They clarify whether production capacity can be used for export or cooperation, issue export licences, conclude bilateral frameworks, and establish contractual channels for procurement. Their work is essential because most defence-industrial partnerships cannot be implemented through commercial contracts alone. They require a combination of state approval, regulatory compliance, and financing structures.

At the same time, this tier is often where roadblocks emerge. If interagency coordination is slow, export control procedures are unclear, bilateral agreements are missing, or procurement mechanisms are not aligned with company timelines, projects may stall. This makes Tier 2 coordination one of the most important areas for improving Ukraine's cooperation model. A more predictable operational pathway would help companies understand which approvals are needed, which institution is responsible, and how strategic decisions are converted into contracts.

Tier 3: innovation and industry

The third tier includes the actors closest to companies, technologies, testing, and industrial implementation. These actors help identify partners, validate products, support innovation, and connect foreign companies with Ukraine's defence-industrial ecosystem. Their role is particularly important because many partnerships require more than government approval. They require knowledge of the market, access to credible companies, understanding of battlefield relevance, and practical routes for testing and scaling.

Ukroboronprom

Ukroboronprom remains a major actor in the industrial tier. As the state defence industrial holding, it is often viewed as the preferred joint venture partner for foreign primes entering the Ukrainian market. This is partly because it has legacy industrial capacity, state-linked status, and experience in sensitive defence production. For large foreign companies, cooperation with Ukroboronprom can provide an official and institutionally recognised route into Ukraine's defence-industrial base.

However, the role of Ukroboronprom also reflects the broader trade-off between state capacity and flexibility. On the one hand, the holding can provide access to infrastructure, production experience, and state-level credibility. On the other hand, cooperation through state-owned structures may

involve more complex governance, approval procedures, and slower decision-making than partnerships with private companies. For this reason, Ukroboronprom is important not only as a potential partner, but also as a test of whether Ukraine can make state-linked industrial cooperation sufficiently agile for wartime needs. Partnership data confirms a clear difference in administrative capacity between state-owned and private entities.

Brave1

Brave1 is one of the key institutions in Ukraine's defence-technology ecosystem. It functions as a defence-tech accelerator and innovation platform, supporting companies that develop technologies relevant to Ukraine's military needs. Its activities include Test in Ukraine, Brave1 Dataroom, and international innovation partnerships. These instruments help connect Ukrainian and foreign innovators, provide access to testing opportunities, and create more structured channels for engagement with Ukraine's defence tech sector.

Brave1 is especially important for foreign companies that want to understand Ukraine's innovation ecosystem but do not know where to start. It can help companies assess battlefield relevance, receive feedback, and identify potential Ukrainian partners. For Ukrainian companies, Brave1 provides visibility, validation, and access to international networks. This role is particularly important in fast-moving areas such as drones, electronic warfare, autonomy, AI-enabled systems, robotics, and battlefield software.

The institutional transition of Brave1 from the Ministry of Digital Transformation to the Ministry of Defence is also significant. It reflects the increasing integration of defence innovation into the formal defence system. This transition can potentially strengthen the link between innovation, military requirements, procurement, and operational feedback. At the same time, it will be important to preserve the speed and flexibility that made Brave1 effective as an innovation platform. The challenge is to combine start-up-style responsiveness with stronger integration into defence planning and procurement.

National Associations

National associations play a different but equally important role. They represent private Ukrainian defence manufacturers and can serve as a non-state entry point for foreign partners. National associations can help navigate the private market, identify credible companies, understand sectoral needs, and engage with manufacturers outside formal state channels. They can also communicate common industry problems to the government, including export restrictions, financing gaps, procurement barriers, and regulatory uncertainty. In this sense, associations can act as a bridge between companies and the state, helping to make cooperation more transparent and less dependent on informal networks.

The role of associations is particularly important because foreign companies often struggle to identify reliable Ukrainian partners independently. The market is dynamic, fragmented, and shaped by wartime conditions. Some companies have strong battlefield validation but limited public visibility. Others may have strong presentation capacity but weaker production readiness. Associations can help reduce information asymmetry by representing broader industry interests and providing a more structured entry point into the private sector.

Tier 3 actors therefore provide the connection between policy and real industrial capability. They help ensure that cooperation is not only approved at the political level, but also linked to actual companies,

products, testing environments, and production capacity. This tier is where the practical quality of a partnership is often determined. A strong political agreement and a signed contract may still fail if the industrial partner is not suitable, the technology is not validated, or the production model is not realistic.

How the tiers work together

The deal-making process in Ukraine's defence-industrial cooperation should be understood as a sequence of linked functions rather than a single approval. Tier 1 defines strategic priorities and political direction. Tier 2 translates those priorities into regulatory approvals, intergovernmental frameworks, and procurement mechanisms. Tier 3 connects the project to companies, technologies, testing, and industrial implementation. A successful deal usually requires all three tiers to work together.

For example, a foreign company interested in localising production may first need political reassurance that the project is aligned with Ukraine's priorities. It then needs to understand military requirements from the Ministry of Defence and the General Staff. If the project involves exports or controlled technologies, it will require engagement with export control institutions. If partner-state funding is involved, the procurement channel must be defined. Finally, the company needs a Ukrainian industrial partner, which may be Ukroboronprom, a private manufacturer, or a company identified through industry associations or innovation platforms such as Brave1.

This multi-tier structure explains why deals can be difficult to implement even when there is strong interest. Each tier performs a necessary role, but the absence of a single project pathway can create delays and uncertainty. Companies may not know which institution to approach first, which approvals are required, or how long the process will take. Multiple actors hold legitimate authority over different aspects of defence-industrial cooperation, but the absence of clear leadership creates space for political competition. This leads to overlapping approval chains, inconsistent signals for partners, and decisions that require simultaneous sign-off from several centres of power.

The main policy challenge is therefore not only to identify the actors involved, but to improve coordination between them. Ukraine's cooperation model would benefit from clearer sequencing, standardised guidance for foreign partners, and a more predictable route from initial interest to implementation. This could include a single coordination window, predefined pathways for different cooperation models, clear rules on export control procedures, and stronger links between military requirements, procurement financing, and industrial partner selection.

A clearer institutional map would also help foreign partners understand Ukraine's defence-industrial ecosystem. Many companies are interested in cooperation but face uncertainty about who does what. By defining the roles of policy actors, procurement bodies, export control institutions, innovation platforms, state-owned enterprises, and private sector associations, Ukraine can reduce transaction costs and make cooperation easier to navigate.

Due Diligence Requirements and Risks in Ukraine's Defence Sector

It should be noted that in all the aforementioned methods of state financing, investments or private cooperation, companies encounter a formal due diligence procedure, which, at their own risk, makes them relatively transparent.

Below is a detailed analysis of the due diligence procedure within the context of key financing instruments: bank lending, investment deals, and partnership cooperation.

As part of the analytical research conducted by KSE Institute, a comprehensive study was undertaken to examine the specific characteristics, evolution, and transformation of due diligence procedures for companies within Ukraine's defence-industrial complex under martial law. To establish an objective and practice-oriented empirical foundation, a series of in-depth expert interviews and workshops were conducted with leading banking institutions that provide preferential lending to the sector, as well as with international and domestic audit firms directly engaged in legal, financial, and technological due diligence. Furthermore, detailed consultations were held with key institutional stakeholders, notably representatives of the Ministry of Defence of Ukraine, ensuring that the stringent requirements of national security and current state secrecy legislation were fully integrated into the analysis.

Based on a detailed examination and systematisation of the actual documentation requirements imposed on defence enterprises seeking capital, the study delivers a comparative analysis of primary financing instruments: bank lending, private investment deals, and partner (international) financing.

Due diligence process in Ukrainian banking

In a wartime economy, the Defence entities serve as a pivotal element of critical infrastructure. Scaling the production of weapons and military equipment (WME) requires the mobilisation of long-term capital, primarily channelled through the state's preferential lending program Resolution of the Cabinet of Ministers of Ukraine No. 1288

This mechanism provides targeted financing at a 5% annual interest rate to support two primary development vectors:

- **Operational Expenditure (OpEx):** maintaining the rhythm of the production cycle by financing working capital (limit up to **UAH 100 million**).
- **Capital Expenditure (CapEx):** expanding production capacity, purchasing high-tech equipment, implementing innovative production lines, and relocation. (limit up to **UAH 500 million**).

The fundamental principle of bank lending for this strategic sector is the unconditional repayment of capital. At the core of prudential supervision and internal banking policies lies a comprehensive assessment of the borrower's creditworthiness, based on an analysis of their ability to generate stable Cash Flow to service debt obligations.

Given the capital intensity and long-term nature of investment projects in the Defence entities, credit operations are structured using several layers of Risk Mitigation:

- **Hard collateral and property rights:** Liens on fixed assets and production equipment, as well as the assignment of rights to claims under state contracts, serve as traditional security instruments.
- **State support instruments:** The state portfolio guarantee mechanism is utilised as a supplementary liquidity tool, allowing for the diversification of credit risk between the financial institution and the state.

The Due Diligence process required to verify a borrower's operational capacity objectively necessitates a high degree of Data Granularity. For a bank, this is a vital measure to minimize Counterparty Risk. However, under conditions of armed aggression, this process enters into an objective conflict with the requirements of physical and information security.

The collection and accumulation of data regarding production facilities, supply chains, and technological processes – essential for financial monitoring – simultaneously create potential security vulnerabilities. This critical nexus between financial security methods, the depth of data disclosure, and the resulting risk profile is visualised in the following Matrix:

FIGURE 9. RISK MATRIX

Risk Level ↕ / Granularity →	LOW GRANULARITY	MEDIUM GRANULARITY	HIGH GRANULARITY
HIGH RISK	Business Profile - Activity types - TOP-5 counterparties - Project feasibility - Investment schedules	Operational Data - Order portfolio - Supply contracts - Memorandums - Licenses & Patents	Collateral & Security - Asset rights & inventory numbers - Cadastral data - Acceptance certificates - Ownership titles - Valuation reports
MODERATE RISK	General Financials - Balance Sheet - P&L Statement - Cash-flow	Detailed Financials - Trial Balance (OCB) - Accounts Receivable - Audit Reports	Ownership Structure - UBO identification - Shareholder personal documents
LOW RISK	General Block - Requests / Petitions - Charter - Unified State Register extracts	Management Data - Director Passports - Appointment Orders - Meeting Minutes	Credit & Support History - Credit portfolio info - State aid / support records

← Increasing Data Granularity →

Source: KSE Institute

The presented Matrix illustrates an exponential increase in security threats when transitioning from the verification of general financial metrics to the granularity of physical assets. The highest concentration of risks (High Risk Zone) is focused in the High Granularity sector, where the accumulation of cadastral data, ownership/lease documents, equipment inventory numbers, and asset valuation reports creates critical vulnerabilities for Defence entities facilities. Understanding this dependency is key to transforming borrower assessment approaches, as reflected in the evolution of production capacity verification mechanisms:

Evolution and differentiation of verification mechanisms

In tandem with the development of financial instruments, Due Diligence approaches for Defence entities have undergone significant transformation. Leading Ukrainian systemic banks are currently transitioning toward more flexible verification models, which have evolved through three distinct stages.

Stage 1: Direct verification and security control (from 2022). The initial phase was characterised by maximum centralisation and direct oversight. Banks conducted mandatory physical audits of production facilities, performed by specialised banking experts. These processes operated under a strict security regime coordinated by the SSU, utilising corporate NDAs and psychophysiological examinations (polygraphs) for personnel granted data access.

Stage 2: Documentary verification via MoD Representative Offices. This model subsequently evolved toward documentary verification conducted through Military Representative Offices – specialised units within the Ministry of Defence structure stationed directly at enterprises executing state defence contracts. Banks began relying on official 'military acceptance' certificates and reports to validate production capacity and quality control. This transition replaced complex, security-intensive procedures with a formal state oversight mechanism, significantly accelerating the financing process.

Stage 3: Autonomous verification via Internal Quality Management Systems (from 2026).

Following the restructuring of military representative bodies, banks with deep expertise in defence finance are now implementing autonomous verification. This contemporary model is based on Systemic Accreditation: a manufacturer's internal Quality Management System (QMS), certified under ISO 9001 and AQAP 2110 (NATO standards), is recognised as sufficient evidence of operational capacity. Technical verification has shifted to a declarative principle—utilising internal audits and production passports—whereby full accountability for data integrity is transferred to the enterprise's internal control system.

Critical institutional barrier and international mitigation instrument

Despite the described technological evolution of verification models, the procedure for securing property collateral remains the most critical pain point and the highest risk for disclosing strategic information within Ukrainian banking credit practices for the defence sector. Securing a loan with physical assets inevitably requires transferring highly granular data to the bank, which pulls both parties back into the High Granularity Zone and creates severe security vulnerabilities. In this context, the utilisation of state portfolio-based guarantees (pursuant to Resolution of the Cabinet of Ministers of Ukraine No. 1288) is designed to significantly streamline the financing process by minimising hard collateral requirements.

However, the implementation of this approach encounters a rigid regulatory constraint: according to Resolution of the Cabinet of Ministers of Ukraine No. 723, dated 14 July 2021, such portfolio guarantees apply exclusively to micro, small, and medium-sized enterprises (MSMEs). The systemic issue lies in the fact that a significant share of leading WME manufacturers, due to the specific nature and scale of their operations (namely, a staff headcount exceeding 250 employees and substantial annual revenues), are legally classified as large enterprises. Consequently, state guarantees do not extend to them, depriving key defence manufacturers of an effective risk-reduction tool and forcing banks to once again demand excessive granularity regarding physical assets for collateral purposes.

To resolve this issue and alleviate the excessive collateral burden on large defence enterprises, the deployment of international guarantee instruments is critically appropriate, particularly within the framework of the EU's large-scale Ukraine Facility.

In this context, Pillar II of the programme — the Ukraine Investment Framework (UIF) — deserves special attention. This instrument is designed to provide financial guarantees, quasi-equity, and blended finance through International Financial Institutions (IFIs) to cover risks in both the private and public sectors.

Due diligence procedure in partnership financing

Within the framework of cooperation with Ukraine and in accordance with the aforementioned three Models of state funding for defence production, partners conduct due diligence through the relevant state institutions. Although procedures may vary slightly, they share common features. This

mechanism allows for the timely fulfilment of the Defence Forces' requirements while simultaneously ensuring a high level of accountability and transparency in the use of allocated resources.

At the pre-qualification stage, the Defence Procurement Agency evaluates manufacturers based on rigorous criteria: Technology Readiness Level (TRL), mandatory state codification of products, and a proven operational track record. A key element is market benchmarking, which ensures compliance with the Value for Money principle through a comparative analysis of market prices for similar systems. Furthermore, a thorough review of ownership structures, compliance control of corporate management, and an analysis of system effectiveness in real combat conditions are conducted.

A fundamental stage of the model is the independent and comprehensive Due Diligence conducted by the Danish Defence Acquisition and Logistics Organisation (DALO). This procedure is a mandatory condition for the validation of every project and involves a deep audit based on an expanded matrix: from the analysis of the Ultimate Beneficial Owner (UBO) to eliminate sanction risks, to verifying the production process's compliance with ISO/AQAP standards. A critically important component is the physical inspection of production facilities by DALO representatives to confirm the manufacturer's ability to meet quality standards and delivery deadlines.

As part of the verification procedure, the enterprise completes questionnaires from partners, in which it provides information regarding:

- **Organisational status and ownership:** legal name, address (head office and other locations), DUNS number, date of registration, details of private or state ownership, presence of parent companies, and information on key individuals (owner, CEO, directors), including their citizenship, links to foreign assets, and participation in political campaigns.
- **Security measures:** awareness of state secrecy levels, presence of a designated security officer, physical security measures at locations, access control systems (particularly for restricted areas), and protocols for the protection of partner countries' information and equipment during production and delivery. Personnel security measures, vetting processes, and information/cybersecurity measures (data storage type, IT system security, audits by state agencies) are described separately.
- **Financial DD and general security:** Information on turnover for 2 years (cash flow statement), insurance, shareholder structure, presence of foreign interests, foreign bank accounts, and instances of security incidents, sabotage, or coercion over the last 1–3 years.
- **Production capacity and supply chain:** Total capacity, scalability within 3 months, lead times, pricing policy, and stock availability. Details on supplier tiers, origin of raw materials, export dependence, and existing reserves to mitigate risks are provided.
- **Legal compliance and product:** Confirmation of compliance with laws, intellectual property rights, occupational health and safety policies, and the availability of ISO and CofC (Certificate of Conformity) certificates. Specific product information is provided (warranty, configuration, technical specifications, improvement strategy) and contractual terms regarding cost transparency and milestone payment plans.

The fundamental difference between Due Diligence within the Danish model and classical financial instruments – such as bank lending or private investment – lies in the shift of focus from financial solvency to technological viability. While Ukrainian banks concentrate on collateral liquidity and private investors focus on market capitalisation and profitability, the Danish model prioritises the manufacturer's immediate capacity to produce and deliver weaponry. This requires a high degree of

operational transparency and intensive technological monitoring through the implementation of an Open Books policy and mutual agreements on pricing based on fair profit principles. Such an approach, while atypical for the commercial sector, is a necessary standard for verifying the effective use of partner nations' budgetary funds.

Furthermore, although all contracts are executed via the Defence Procurement Agency (DPA), they function as intergovernmental agreements where terms are jointly approved, and the financial architecture is supported by the UNITED24 platform. Thanks to a 75-stage state approval system and full ID-traceability of every payment, the movement of funds can be tracked from the initial transaction to the specific serial number of the finished product.

The production stage itself is characterised by continuous oversight and verification. Throughout the execution process, comprehensive documentation is collected and provided to the partner nation, including batch reports, serial numbers, quality assurance certificates, and official delivery confirmations. Partner representatives also conduct regular physical inspections of delivered batches, further reinforced by quarterly spot checks at storage facilities. Upon contract completion, a comprehensive final report is compiled and submitted, ensuring the procurement cycle is closed in accordance with the highest international standards.

The model's high standards of accountability were recently confirmed by a successful joint audit conducted by Deloitte Denmark and the Internal Audit Department of the Ministry of Defence. The entire cycle, from initiation to final reporting, typically spans two to six months, demonstrating the exceptional operational efficiency of the mechanism.

Particular attention within the implementation of the model is paid to the transformation of security management at defence sector enterprises. The high intensity of audits and the requirement for detailed data aggregation regarding technological cycles and supply chains – in accordance with the Open Books policy – necessitate the implementation of modern compliance systems and integrated risk management. This approach encompasses not only the preservation of intellectual property and confidential know-how but also guarantees a holistic security ecosystem: from the physical protection of production sites and the optimisation of logistical hubs to ensuring the confidentiality of personnel data. Thus, the Danish model emerges as a tool for deep institutional integration, stimulating the adaptation of the Ukrainian defence sector to leading international standards of corporate governance and information security.

Due diligence procedure in investment attraction

Specifics of DD for investment projects in the Defence Industrial Complex (DIC)

Private investment in defence entities is a mechanism for attracting capital from venture funds and strategic corporations based on an equity model. Unlike government contracts or grants, a private investor becomes a long-term partner and co-owner who assumes entrepreneurial risks with the objective of business capitalisation and profit-taking through a future exit (sale to defence primes or an IPO). This approach stimulates the transition of Ukrainian developments from prototyping to mass production and their integration into global technological supply chains.

At a certain stage of the industry's development, the classic venture track began to lose its immediate relevance. This was driven by procurement reforms that allowed the state to provide manufacturers with advances of 60% or more of the contract value. This model created a powerful alternative to external capital: by securing large-scale contracts with high mobilisation funding, enterprises could

achieve stable growth through operational cash flow. The need to exchange equity for investment was mitigated, as state resources covered procurement and production scaling requirements.

However, we are currently observing a shift in this dynamic—advance payment volumes are decreasing significantly as the market transitions toward a settlement-on-delivery (post-payment) model. This shift in procurement policy will inevitably create a new demand for capital in the defence entities sector. We anticipate that manufacturers will increasingly turn to capital markets—seeking either bank credit lines or strategic venture investments—to maintain production momentum and bridge liquidity gaps.

The growing demand for mass production has compelled companies to engage with a specialised investment community, where venture funds such as D3 (Dare to Defend Democracy) play a pivotal role. The structuring of these deals directly influences asset verification methodologies. For rapid funding rounds, startups often choose Estonian jurisdiction, which provides transparent protection of IP rights according to European standards. Conversely, strategic projects with valuations exceeding \$10 million gravitate toward the United Kingdom or Ireland, where English Common Law ensures maximum protection for both investors and founders.

The legal DD process for defence enterprises is based on classic auditing standards and involves the analysis of a comprehensive range of documents, structured into key blocks: corporate documentation and legal capacity (extracts from the Unified State Register, articles of association, minutes, and powers of attorney); capital and shareholder agreements (contracts, options, SHA/SSA, and Cap Tables); AML-KYC and ownership structure (detailed charts of affiliates, passports of UBOs and directors); regulatory requirements (licences, permits, and data on state subsidies); financial statements and liabilities (balance sheets, management reports, and accounts payable); intellectual property and data (patents, developer agreements, and product component architecture); and personnel and legal disputes (employment contracts for key specialists and an overview of current legal or tax conflicts), which collectively allow for the assessment of the company's viability and compliance with security requirements.

At the same time, the DD procedure for defence enterprises has its own peculiarities and specific "red lines". Due to the secrecy regime and martial law, investors are forced to adapt their expectations: physical facility locations are not disclosed, and production audits are limited to documentary verification of ownership rights. The verification of government contracts has also been streamlined—legal counsel verifies only the existence of such contracts, relying on financial audit data to confirm actual payments. Notably, since the autumn of 2025, there has been a steady trend of replacing in-house legal teams with external consultants to provide deeper specialised expertise.

Intellectual Property remains a critical focus of the DD process. In the DefenceTech sector, trust often carries more weight than paperwork; companies frequently forgo patenting in favour of Know-how protection to avoid disclosing the technical substance of developments. This requires investors to accept technological risks on trust or seek solutions within the Build with Ukraine framework. The latter involves deploying production capacities in a partner country with guaranteed off-take agreements for Ukraine's needs, allowing for scaling without the risk of uncontrolled technology transfer to third markets.

The final stage of the investment cycle involves rigorous capital screening and Background Checks. In most cases, audit firms do not conduct detailed investigations into ownership structures; therefore, to eliminate any potential "Russian footprint", private specialised firms (e.g., Molfar) may be engaged.

Simultaneously, state oversight functions regarding this matter are held by the SSU and the AMCU. Despite ongoing discussions regarding an investment screening system modelled after the American CFIUS, maintaining the balance between deep security screening and preserving investment attractiveness remains the primary challenge for the future development of the sector.

Strategic proposals for harmonising due diligence procedures with national security requirements

Based on a comprehensive analysis of current Due Diligence practices conducted by leading financial institutions and international investors regarding Ukraine's defence entities, the following instruments are proposed to ensure a transparent and secure investment environment.

- **Firstly**, a critical aspect of ensuring transparency during the audit process is the rigorous observance of classification regimes, which directly dictates the permissible level of data granularity. Pursuant to Clause 2.1.16 of the SSU Order No. 383, information regarding the cooperation between developers and manufacturers of weaponry and military equipment (WME) – specifically data that reveals production capacities, nomenclature, delivery schedules, and work volumes – constitutes a State Secret. Consequently, it is appropriate to structure the Due Diligence architecture in a manner that allows for full asset verification without compromising strategically sensitive information.
- **Secondly**, to ensure an adequate level of transparency, the implementation of a functional data aggregation methodology is proposed. This approach involves transforming detailed Bill of Materials (BOM) and descriptions of technical assets into consolidated technological groups. The analytical value of this format enables auditors and financial analysts to fully verify cost structures, assess profitability margins, and confirm the existence of necessary production lines. Simultaneously, this protective protocol precludes the possibility of reverse-engineering unique engineering solutions, thereby ensuring full compliance with national security requirements.
- **Thirdly**, the implementation of a tiered, compliance-focused supply chain verification protocol is justified. This allows for tracing the origin of components and confirming the absence of sanctioned parts without disclosing the full cooperation network. Instead of providing comprehensive details on all subcontractors, the manufacturer provides Certificates of Origin for key assemblies, aggregated reports on the geographical structure of procurement (highlighting the proportion of components sourced from NATO and EU member states), and declarations of conformity regarding the Ultimate Beneficial Owners (UBOs) of suppliers with AML and sanctions compliance requirements.
- **Fourthly**, it is proposed to utilize systemic certification as a tool for strategic trust and objective proof of an entity's operational maturity. Prioritising references to internationally recognised standards, specifically ISO 9001 and AQAP 2110 (NATO standards), serves as evidence that production processes and risk management systems have already undergone auditing by authorised state or international bodies. This enables investors and banks to rely on the results of expert assessments, minimising the need for direct access to classified information.

The systematic implementation of these instruments will facilitate standardised disclosure protocols, ensuring a high level of trust among international partners and fostering a predictable environment for long-term strategic partnership.

COMMON DEFENCE SYSTEM CONSTRAINTS REQUIRING JOINT SOLUTIONS

Defence-industrial cooperation between Ukraine and foreign partners is often framed through complementarity. Ukraine brings battlefield experience, rapid innovation cycles, urgent defence demand, and companies able to adapt technologies under real war conditions. Foreign partners bring capital, industrial depth, advanced components, certification experience, production standards, and access to wider defence markets. Together, this creates a strong basis for joint ventures, licensing, localised production, service and repair centres, and Build in Ukraine or Build with Ukraine formats.

However, practical experience shows that complementarity is not enough. Many partnerships face obstacles only after political announcements or memoranda of understanding, when companies move to legal structuring, investment decisions, production planning, licensing, technology transfer, procurement, and serial output. At this stage, projects often slow down or remain stuck between announcement and implementation.

Importantly, many of these roadblocks are not unique to Ukraine. While Ukraine faces fragmented institutional support, wartime regulation, limited administrative capacity, export controls, foreign currency restrictions, and dependence on external financing, foreign partners also face national export controls, compliance procedures, risk aversion, procurement rules, political sensitivity around technology transfer, and limited familiarity with Ukraine's wartime environment. In practice, cooperation becomes difficult not because interest is lacking, but because both sides are trying to build industrial projects across systems that were not designed for rapid wartime integration.

This makes these roadblocks both a constraint and a common agenda. They complicate current cooperation, limit speed and predictability, and increase transaction costs. At the same time, many of the problems that restrict cooperation are shared by Ukraine and its partners. Licensing, coordination, financing, technology transfer, and supply-chain resilience are therefore not only administrative barriers, but also areas where both sides can and should work together. Addressing them jointly would help move cooperation from individual projects to a more systematic model of defence-industrial integration and make the common defence-industrial base more resilient.

Institutional Roadblocks

The first set of roadblocks is institutional. Ukraine has made a strong political effort to attract foreign defence companies, promote localisation, and support the needs of the Defence Forces of Ukraine. However, this effort is not yet supported by a single operational pathway that guides a project from a memorandum of understanding to investment, technology transfer, production launch, certification, procurement, and serial manufacturing.

Fragmented regulatory framework

Ukraine has several initiatives and cooperation formats, but they are not backed by a clear institutional roadmap that companies can easily follow. This creates a gap between political ambition and implementation capacity. At the announcement stage, cooperation can move quickly: companies sign memoranda, governments signal support, and partnerships are presented as part of a broader industrial strategy. But once implementation begins, companies must separately resolve questions related to corporate structure, partner selection, export controls, security clearances, procurement channels, facilities, financing, import of equipment and components, and future export rights.

Without a single institutional pathway, each issue may require engagement with different authorities, mandates, and timelines.

This affects both sides of cooperation. Foreign companies often struggle to understand where to enter the Ukrainian system, which institution is responsible for specific issues, and how different programmes relate to each other. Ukrainian companies face similar uncertainty when entering partner-country systems, where they also lack a clear roadmap for licensing, certification, financing, procurement, and market access. As a result, even promising partnerships can remain dependent on case-by-case coordination, personal networks, and political visibility rather than a predictable institutional process.

Institutional incapacity

A related institutional problem is the limited support infrastructure available after foreign companies enter Ukraine. Ukraine has become effective at communicating the strategic importance of localised production and attracting foreign defence companies. However, invitation is not the same as operational support. Once a company decides to explore production in Ukraine, it needs practical assistance with partner due diligence, security risk assessment, legal structuring, licensing, procurement access, facilities, workforce issues, tax and customs questions, and engagement with local authorities. When these functions are not coordinated, companies must solve them individually, creating duplication, delays, and inconsistent outcomes.

State-owned enterprises (SOEs) add another layer of complexity. In many cases, SOEs are designated or expected to act as Ukrainian partners for foreign defence companies because they hold legacy assets, production facilities, licences, or formal links to the state. However, they often have limited operational flexibility compared with private companies. Investment decisions, asset use, procurement, staffing, governance, and technology-transfer arrangements may require several approval layers, which can slow negotiations and create uncertainty around timelines and accountability.

This does not mean that SOEs cannot play an important role. In some sectors, they remain essential because of infrastructure, security, or legacy production capabilities. The problem is that cooperation through SOEs requires a clearer institutional framework: foreign partners need to understand who has decision-making authority, which approvals are required, how long they may take, and which commitments are binding.

Lack of a reliable partner

Another institutional roadblock is that companies often try to navigate foreign defence markets without a strong local partner, even though practical experience shows that this is difficult to do. The problem is not partner selection as such, but the fact that companies may avoid partnerships or delay forming them because of concerns over technology protection, intellectual property, control over future revenues, or uncertainty about the partner's reliability. This is especially relevant for more mature companies that have already proven themselves in their domestic market and may be reluctant to share sensitive know-how or commercial upside.

However, defence-industrial cooperation is hard to implement without a partner who understands the local system. Companies that try to move independently often run into regulatory barriers either in Ukraine or in the partner country. Export controls, licensing, certification, procurement rules, security requirements, and compliance procedures may significantly delay implementation or make

the proposed structure unworkable. As noted above, both Ukrainian and foreign companies often underestimate how difficult it is to operate in another country's defence environment without a clear roadmap or institutional support.

Case studies show that partnerships tend to progress better than “solo” attempts to localise production on either side. A credible local partner can help companies understand regulation, access procurement channels, manage compliance requirements, adapt production to the operating environment, and resolve practical implementation issues. The key challenge is therefore to create conditions in which companies can enter partnerships with sufficient legal protection, clarity on IP and future revenues, and confidence that cooperation will reduce risks rather than create new ones.

Regulatory and Legal Roadblocks

The second group of roadblocks concerns regulation and legal certainty. Defence-industrial cooperation involves military and dual-use goods, controlled technologies, security requirements, intellectual property, corporate structuring, and financial regulation. These issues are complex even in peacetime, but under wartime conditions they become more difficult because companies need speed and predictability, while Ukraine and partner countries still have to manage security, compliance, and political risks.

Export licensing bottlenecks

Export licensing is one of the most important constraints. Navigating State Export Control procedures can take years, and licences are often country-specific, meaning that a company may need to restart the process for each new destination or deal. A company that localises production in Ukraine has no guarantee that it will be able to export what it produces. This limits the business case for deeper localisation, because long-term investment, technology transfer, and production scaling usually require access to markets beyond Ukrainian procurement.

The same problem works in the opposite direction. A Ukrainian company that localises production abroad may need to pass partner-country procedures to export products back to Ukraine, while also having no guarantee that it will be able to export from that country to third markets. As a result, joint production can become trapped between two regulatory systems, with approvals required both in Ukraine and in the partner country. This makes export-control coordination a central condition for defence-industrial cooperation: licensing pathways should be clarified early, before companies commit resources, sign contracts, or structure production.

Unresolved IP and technology transfer

Intellectual property and technology transfer present another major legal roadblock. Many joint projects are not simple licensing arrangements for finished products. They often involve foreign platforms, Ukrainian modifications, battlefield feedback, software integration, new components, and rapid engineering changes. Ukrainian engineers may adapt Western systems to combat conditions, while Ukrainian technologies localised abroad may also be modified by foreign partners to meet local certification, production, or market requirements. In both cases, these adaptations create value, but there is often no clear framework governing who owns such improvements.

This uncertainty affects both sides. Foreign companies may be cautious about transferring sensitive technology if they are not confident that their IP will be protected. Ukrainian companies face similar concerns when they localise production abroad or enter joint ventures with foreign partners: they

need clarity on whether they retain rights to their original technology, battlefield-driven know-how, future modifications, export revenues, and use of the product outside the partnership. Without such clarity, companies may hesitate to share technology or may limit cooperation to lower-risk formats.

The issue is especially sensitive in joint ventures, where technology, engineering input, production capacity, certification, procurement demand, and battlefield feedback may come from different sides. Each project must negotiate from scratch who owns improvements, who can produce them, who can export them, and whether either party can use the technology outside the JV. This increases transaction costs, slows cooperation, and may push companies toward repair, assembly, or distribution instead of deeper joint development.

Foreign currency restrictions

Another regulatory barrier concerns foreign currency restrictions. Ukrainian companies that want to participate in foreign joint ventures may need to contribute equity, capitalise a foreign entity, invest in production facilities, or transfer funds abroad. However, wartime restrictions imposed by the National Bank of Ukraine limit capital outflows, and in some cases a separate Cabinet of Ministers resolution may be required for a specific transaction. These restrictions are understandable from a macroeconomic and financial-stability perspective, but they make international defence partnerships slower and harder to structure.

This creates uncertainty for Ukrainian companies trying to localise production abroad or enter reciprocal JV structures. A company may need a foreign entity to access certification, production capacity, procurement channels, or export markets, but if capital contributions require separate state approval, the process becomes case-specific and unpredictable. This can weaken the position of Ukrainian companies in negotiations and make it harder for them to act as equal partners rather than only technology suppliers, subcontractors, or recipients of foreign investment.

The same issue also affects foreign companies considering investment in Ukraine. Even where a company is willing to localise production or enter a Ukrainian JV, it needs clarity on whether it will be able to repatriate profits, exit the investment, reinvest earnings elsewhere, or move funds within its corporate structure. If these options are uncertain, investment in Ukraine becomes harder to approve internally, especially for boards, investors, and compliance teams. For defence-industrial cooperation, the challenge is therefore to preserve necessary financial controls while creating predictable rules for priority industrial projects.

Certification and compliance

Another regulatory roadblock concerns different governmental requirements for product approval, safety, environmental compliance, certification, and production standards. Products developed for the Ukrainian battlefield are often adapted to urgent operational needs, where speed, effectiveness, and rapid iteration matter more than full compliance with peacetime certification procedures. This has allowed Ukrainian companies to test, improve, and deploy technologies quickly. However, a product that performs well in wartime conditions is not automatically ready for foreign markets, where safety, environmental, labour, quality-control, and technical requirements are usually more detailed and more strictly enforced.

This creates an additional adaptation burden for companies seeking to scale beyond the Ukrainian market. To enter foreign procurement systems or produce abroad, a product may need to be redesigned, re-certified, documented differently, tested under new standards, or manufactured

through a more formalised production process. These changes can significantly affect production timelines, unit costs, component choices, facility requirements, and quality-control procedures. For some companies, the challenge is not whether the product works on the battlefield, but whether it can be adjusted to meet the regulatory expectations of partner countries without losing its cost advantage or speed of production.

Without such adaptation, many products risk remaining focused only on the Ukrainian market and only for the period of active war. This limits long-term commercial viability and makes it harder to justify investment in scaling, localisation abroad, or deeper joint production. At the same time, partner countries also have an interest in helping Ukrainian technologies move through these requirements, because battlefield-proven products can strengthen the common defence-industrial base. Certification, safety, environmental, and production-standard support should therefore become part of the cooperation agenda, not a late-stage obstacle discovered after the product has already been developed.

Financial and Supply-Chain Roadblocks

The third group of roadblocks concerns financing and supply chains. Even when institutional and legal issues can be resolved, defence partnerships still need money, demand, components, and production inputs. These are often the decisive factors that determine whether a cooperation project remains an MoU, becomes a pilot, or reaches serial production. In Ukraine's case, the financial and supply-chain constraints are especially important because the market is shaped by wartime urgency, public procurement, donor funding, imported components, and uncertainty about future demand.

Funding dependency

Funding dependency is one of the main barriers to scaling defence-industrial partnerships. In practice, most projects advance only when there is donor-government funding, partner-state procurement, or another funded demand channel behind them. This is understandable: Ukraine's defence demand is large, but domestic budget resources are under extreme pressure. At the same time, foreign companies usually need a clear commercial rationale before investing in localisation or joint production, while Ukrainian companies often lack the capital needed to expand facilities, purchase equipment, build inventories, or finance working capital.

This creates a gap between strategic interest and commercial implementation. Governments may encourage companies to cooperate, and companies may be willing to explore partnerships, but without a financed procurement pipeline, projects often do not move beyond discussion. Localisation and joint ventures require upfront investment, legal structuring, facilities, equipment, personnel, supplier qualification, and production adaptation. These steps only make sense if companies can see who will buy the output, in what volumes, on what timeline, and under what payment conditions.

Donor-government funding can unlock cooperation, but it also creates volatility if it is tied to annual budgets, political decisions, coalition priorities, or one-off procurement windows. A company may receive funding for one batch without knowing whether follow-on orders will come, making it difficult to invest in equipment, workforce, facilities, or supply-chain expansion. This affects both Ukrainian and foreign companies and often pushes partnerships toward lower-risk formats such as direct exports, repair, or limited assembly rather than deeper industrial cooperation. Financing should therefore be treated as part of the cooperation model from the start, linked to procurement planning, donor coordination, working-capital support, and risk-sharing instruments.

Components dependency

Supply-chain dependency is another major constraint for defence-industrial cooperation. Many defence and dual-use products still depend on imported microelectronics, sensors, optical components, engines, communication modules, machine tools, and other specialised inputs. This dependency is a common problem for both Ukraine and its partners, but the pressure is not the same. Ukraine has already experienced how component shortages, foreign supply chains, and export restrictions can directly affect battlefield capability, and has therefore started taking steps towards greater localisation of components and production inputs. In many partner countries, however, the pressure is lower, so decisions are still often driven more by economics, profitability, and existing supply-chain efficiency than by security risk. This creates a gap between the urgency of wartime production and the slower logic of peacetime industrial policy.

The issue is also reinforced by European financing rules. Most EU defence-financing instruments limit the share of foreign components to 35%. While such rules are intended to strengthen the European defence-industrial base, they can complicate cooperation with Ukraine if critical components are still sourced from third countries or if Ukrainian production is not fully integrated into eligible supply chains. As a result, companies may face both practical supply constraints and formal eligibility barriers when trying to scale production.

Because Ukraine and its partners now operate in a common security environment, supply-chain resilience should be treated as a shared industrial priority. Cooperation should focus not only on defence technologies themselves, but also on related markets that make production possible: components, sensors, optics, electronics, machine tools, testing equipment, repair capacity, and spare parts. Not all dependencies can be eliminated, but they can be managed through component-substitution programmes and targeted investment in Ukrainian and allied production capabilities.

Long-term sustainability

During the active war, many projects can rely on Ukraine's own defence budget, partner-state support, donor-funded procurement, and dedicated financing for joint production or localisation. These resources are essential for meeting urgent battlefield needs and scaling production quickly. However, they may not provide a stable basis for companies after the intensity of the war decreases or after a ceasefire, when procurement volumes, donor priorities, and political attention may change.

This means that defence-related projects need to think beyond immediate wartime demand and develop commercially sustainable models. One possible strategy is to move into dual-use markets, where technologies developed for defence can also serve civilian, security, industrial, logistics, or emergency-response needs. This path will not work for every defence product, especially where products are highly specialised or classified. However, for some companies, dual-use adaptation can create broader demand, reduce dependence on state orders, and make investment more attractive.

The broader point is that companies need a survival strategy for the period after the active war. If a business model depends entirely on emergency procurement or donor-backed contracts, it may struggle once these channels shrink. Long-term resilience will require export access, recurring service and maintenance revenues, dual-use applications where feasible, integration into partner-country supply chains, and products that can compete beyond the Ukrainian market. Commercial sustainability should therefore be treated as part of defence-industrial cooperation from the start, not as a question to be solved only after wartime demand declines.

POLICY RECOMMENDATIONS

Recommendations for Partners Working with Ukraine

Direct most state funding via one coordinated channel. Currently, partner states are funding Ukrainian defence production through three pathways – each with varying levels of coordination with the Ukrainian government, differing approaches to assessing military needs, and separate financing procedures. The Ukrainian defence sector is already highly fragmented on its own, and the sheer variety of funding streams adds another layer of complexity and potential bureaucratic uncertainty down the road. Therefore, these disparate state funding models must aim for consolidation to create a joint pocketbook at some point. If not into a single cohesive system, they should at least converge into a more coordinated, institutionally backed mechanism featuring proper oversight from both Ukraine and its partners.

- **Use Danish-style model as the main state financing backbone.** It combines direct funding, clear demand signals, and institutional coordination through Ukraine's DPA, providing the most sustainable and scalable option. Pool other partners into that channel, instead of each building a separate mini system.
- **Use the Danish-style model for procurement of items that are restricted by Ukraine Support Loan Regulation.** The USL provision limits funding products with 35%+ of components outside of Ukraine, EU or EEA EFTA countries. So, it can block direct USL flows to Ukrainian producers should they use the components outside the outlined areas. The Danish Model already operates as an intermediated procurement vehicle (DALO/DPA) and can absorb a swap mechanism. This unlocks USL volumes for Ukrainian industry without reopening the Regulation and scales an architecture that is already working on the ground.
- **Hybrid track is less suitable** for this purpose and is more applicable for co-production, technology transfer, joint ventures and supply-chain integration projects. In this case, work through a basic coordination link with the Ukrainian side, even if you proceed via your own structures.
- **Direct track is better suited for fast niche projects** because it is weaker on standardisation, prioritisation, oversight and scalability. It still can be used for pilot projects, urgent brigade-level needs. Aim to transition successful projects into a more institutional channel once they prove value to ensure stable funding.

Build production funding around validated battlefield demand. The procurement of defence products must be exceptionally deliberate, given the limited financial resources and the enemy's rapid adaptation on the battlefield. There must be a clear understanding of which products are genuinely effective and, most importantly, practically needed in combat. Consequently, procurement must incorporate a feedback loop and an assessment of end-users' needs. Crucially, this feedback cannot just get stuck between the unit and the manufacturer – the state must also be present in this chain to truly understand demand dynamics and evaluate available supply options.

- **Choose needs-based approach** and focus on jointly agreed priority list to avoid funding based on the producer's push or political preferences.
- **Make end-user feedback mandatory** before investing into scaling of any product.
- **Review funded products** in agreed period against battlefield performance.

Share your lessons and knowledge. Experience shows that partners mostly keep to themselves when it comes to their involvement in the Ukrainian defence sector. To some extent, this creates a gap in understanding the broader landscape and even breeds certain competition. Fragmentation, manual deal-making and parallel tracks are slowing the scale-up. For funding mechanisms to be truly effective, a practice of shared enquiry and knowledge exchange is important. As previously mentioned, Denmark is a valuable source of administrative and monitoring expertise in high-oversight procurement and due diligence process. Germany's strength, on the other hand, lies in having a clear vision and ability to articulate its interests. The UK operates through the Taskforce Kindred team, which works directly with Ukrainian enterprises or military units for financing or cooperation. Sharing these and other allies' practices can help forge a more functional and less fragmented mechanism.

Designate a GR Resource to simplify entry into Ukraine. The fragmentation of institutional entry points – across registration, tax accounting, customs accreditation, migration procedures, licensing, export controls, testing and codification – is the most frequently cited obstacle by foreign partners wishing to set up a venture in Ukraine. Partner countries should designate dedicated government-relations coordinators – national contact points or experienced consultants on the Ukrainian market with verified knowledge of the defence regulatory environment – responsible for guiding companies from initial interest through to contract signing.

Simplify export controls on components for verified Ukrainian manufacturing. Even where production is localised in Ukraine, output remains limited due to a reliance on imports of microelectronics, sensors and precision components, the supply of which is subject to strict export controls by partner countries. Any delay at the border or change in export policy directly affects Ukraine's manufacturing capabilities.

- Partners should introduce **fast-track licensing procedures for components** supplied under certified Build in/with Ukraine partnerships so that manufacturing capacity is not held back by administrative delays.

Develop Ukraine Investment Framework. Establish a dedicated structural channel that gives Ukrainian defence industry direct, programmatic access to EU and partner-state financing, rather than relying on case-by-case redirection of existing instruments. The framework should consolidate eligibility, vetting, and disbursement rules into a single architecture that partners can underwrite at scale.

Recommendations for Ukraine to Improve the Cooperation Pathways

Create one clear “front door” for partners. Although the lack of a single focal point is the most obvious and straightforward issue, it is still a significant bottleneck with companies and partners often unsure who is responsible for international agreements, export policy or production partnerships.

- In the long run consider **establishing one visible coordination point** for partner-funded defence production should the allies choose to expand this track.
- Same goes for other types of cooperation, including B2B projects, – **give the dedicated governmental body an authority** to route partners to right institutions fast, potentially making it the default entry point for states, investors and companies.

Build up the administrative capacity. Of the three models presented, Danish-style model is the most sustainable and scalable, primarily due to its institutionalism. Denmark, which utilises this model, successfully leveraged the administrative resources of DALO alongside on-the-ground personnel in Ukraine to establish a coherent, functioning funding track. As a result, this model has attracted a relatively large volume of funds from various partners and has even channelled revenues from frozen Russian assets. It is successful because of structured system in place: the active involvement of Denmark's DALO, Ukraine's DPA, and their combined administrative resources. However, scaling in this case requires looking beyond the mere existence of institutions to their actual capacity.

- To handle large-scale financial programs, the Ukrainian **DPA specifically needs to build up its own capabilities** so that partners are not deterred by lingering procedures, driving them toward backdooring.
- **Consider increasing staffing** for contract management, audit support, technical evaluations, partner liaison and other vital duties.
- **Creating dedicated teams** for overseeing different partnership tracks – state funding or B2B projects – could ease the workload. Study and build on allies' practices (e.g. UK Taskforce Kindred experience) and utilise their advisers where needed.

Increase incentives for partner state funding. When discussing the sustainability, development, or long-term viability of any mechanism, the question of stakes for each party inevitably arises. The simple truth is that we are currently at a stage where partners, apart from obvious security reasons, need an incentive and direct interest to continue and increase their funding and private investments.

- In terms of partner states funding of Ukraine's defence production, **integrating supply chains into this process** could serve as a powerful incentive. In other words, a funded Ukrainian product would incorporate components manufactured in partner countries. It would do both – support Ukrainian production and return value to the allies' own industrial base.

Reduce the “backdooring” risks. When the processes are slow or unclear, partners and companies will naturally look for shortcuts, ad hoc deals, and parallel channels. Manual interventions and fragmented authority are some of the reasons projects stall or scale unevenly.

- So, **make the official route faster** than the workaround, with coherent target timelines for vetting, contracting, payment steps etc. Keep an eye on where the deals get stuck to further fix those obstacles.
- The regulatory environment is seen as incomplete, contradictory and opaque, and many decisions still look like one-off exceptions. **Spell out the transparent process**, documents, timelines, decision points and responsible institutions for partners and manufacturers. Consider adding a consultation mechanism for companies' enquiries before they invest time and money.

Codify the Build with Ukraine model. The model rests on the 2003 export control law plus a separate intergovernmental agreement per project – workable case by case, unpredictable with policy.

- **Adopt a legal instrument that codifies the initiative**, defining which partner countries are eligible and on what requirements; the financing / co-financing mechanism; the procedure for engaging Ukrainian and foreign authorities; and the project lifecycle – how a facility operates once the initial order is fulfilled, whether output may reach third markets, and how transferred technology may subsequently be used.
- **Replace demand-based control** resting on an administrative decision with published criteria.

Cooperation with Ukraine has expanded now into a more structured system with funding, procurement, industrial partnership and innovation channels taking clearer shape across European and NATO frameworks. This cooperation is mutually beneficial. Ukraine brings combat-tested technologies, rapid engineering cycles and direct operational feedback, while partners bring scale, advanced capabilities and more sustainable industrial frameworks. The foundation is there, and it gives Ukraine and its partners a practical base for joint production, technology cooperation and longer-term integration into allied defence supply chains to strengthen Ukraine's defence while also making partner industries more adaptive and better prepared for modern warfare. The main task now is to make existing initiatives work. If cooperation is to deliver at scale, funding should be better coordinated, and partners should be able to navigate Ukrainian procedures through a clearer and faster system. So, the next step is to turn a growing set of tools into a working mechanism, predictable enough for governments and companies to use, and effective enough to produce results where they matter most.