

**The National Council for the Recovery of Ukraine from the  
Consequences of the War**

**Draft Ukraine Recovery Plan**

**Materials of the “Development of the military-industrial complex” working group**

**July 2022**

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## INTRODUCTION

The Ukrainian MIC comprises over 50 enterprises, which employed more than 50 thousand people in 2021 and produced UAH 7.2 billion worth of goods, more than 20% of which were exported.

Resistance of Ukraine against the full-scale armed aggression of the Russian Federation has pinpointed the flaws in equipment of the Armed Forces of Ukraine and other military forces with modern armaments and military equipment (hereinafter referred to as the AME) necessary to complete their designated tasks. First and foremost, this has manifested itself in insufficient supply of the core items (complexes, systems) before the start of the war as well as a result of major losses of AME and expenses suffered during the first months of the aggression.

The following is the impact of the Russian Federation on the operation of the domestic Military-Industrial Complex (hereinafter referred to as the MIC):

- destruction of enterprises and production equipment;
- outflow of capital and freezing of investment projects due to military-related risks;
- destruction of cooperative ties and supply chains of raw materials, component parts, and materials has exacerbated the pre-existing issue of supply of MIC enterprises with electronic components not manufactured in Ukraine and imported from abroad (first and foremost, microelectronics) and necessary raw materials;
- increased demand for AME by the state customers and insufficient level of preparedness of the MIC production and repair enterprises network to quickly meet the needs the Armed Forces and repair AME damaged or inoperative as result of military action;
- almost complete cessation of export supplies of finished products, component parts, units, military-purpose and double-purpose equipment;
- outflow of human capital resulting from forced external and internal migration of the population, changes in region-based workforce balance and its inconsistency with the location of the production capacities;
- rapid transition of the Armed Forces from the obsolete Soviet-era equipment (complexes, systems) to the state-of-the-art AME due to large-scale supply of modern weapons by Western allies. Therefore, the national MIC has shifted its focus mainly towards conducting repairs of the existing Soviet-era and post-Soviet-era AME used by the Armed Forces and stored in warehouses;
- absence of scientific-technical and production-technological base for the development and production of military aircraft (aeroplanes, helicopters), air defence systems / missile defence systems and aerospace defence systems, ammunition of various calibres.
- Defence funding requirements have increased significantly compared to pre-war levels.
- It is expected that in 2022 the Ukrainian economy will shrink by 45.1%.
- The expenses for defence forces, as well as their transition to the NATO standards, are expected to further increase.
- In case of a long-term war, the country might face the risk of a limited capability to attract internal and foreign capital to meet the needs of the defence sector;
- Low level of emergency material-technical supplies of the Armed Forces of Ukraine (hereinafter referred to as the AFU) — therefore, a need for production and accumulation of ammunition, missiles, etc.

For the post-war development of MIC, first of all, it is necessary to intensify the development of the military-technical cooperation, in particular attract foreign investment into the MIC enterprises, implement joint cooperation projects, obtain the necessary documentation and technologies for modernisation and repairs of the Western-type weapons.

**1. Key issues to be solved within the framework of the Recovery Plan within the direction “Development of the Military-Industrial Complex”**

Impact of the war on the defined analysis area:

1.1. Key challenges	<p><b>1. LIMITED FUNDING OF MIC INDUSTRIES</b></p> <p><b>Limited budget funding.</b> MIC's capacity for growth will be limited by the amount of funding attracted. The needs for armaments funding will increase dozens of times compared to their pre-war levels. Historically, the budget funds allocated to armaments have been insufficient for their development.</p> <p><b>Difficulties in attracting investments faced by the MIC enterprises.</b> Attraction of investments into Ukraine's MIC has always been considered a bottleneck. However, active military action on the territory of Ukraine, as well as the constant military threat during the post-war period, further complicate this process. Among the key issues related to investment attraction one can identify the following: absence of efficient investment attraction mechanisms, in particular absence of state guarantees and an acceptable lending mechanism, bureaucratic obstacles; low level of military-technical cooperation aimed at attracting international companies to invest in MIC enterprises; reduced interest of investors in investing in Ukraine's MIC and a significantly increased cost of capital for enterprises resulting from military-related risks; etc.</p> <p><b>2. IMPERFECT REGULATORY ENVIRONMENT</b></p> <p><b>Inconsistency of the state military-industrial policy.</b> Multiple changes in the MIC management approaches complicate the establishment of an efficient environment for its development. Among the key issues related to the state military-industrial policy one can identify the following: inconsistency between military-industrial and military-technical policy; absence of an efficient mechanism to regulate the matters related to intellectual property; etc.</p> <p><b>Suboptimal defence procurement processes.</b> The current defence procurement procedures (demand planning, execution of procurement procedures, etc.) do not create preconditions for the development of Ukraine's MIC. Among the key issues related to defence procurement one can identify the following: absence of long-term demand planning for MIC products; absence of an efficient pricing policy and respectively a low level of profitability of the defence projects in the interests of the state customers; secrecy and bureaucracy of the defence procurement process; etc.</p> <p><b>Suboptimal effectiveness of foreign trade.</b> Currently, the foreign economic potential of Ukraine's MIC is not fully fulfilled. Among the key issues related to foreign trade one can identify the following: low level of military-technical cooperation with other countries; inefficient export-import operations management process of the MIC-related products; insufficient level of state support for MIC products export; etc.</p> <p><b>3. MANUFACTURING RESTRICTIONS</b></p> <p><b>Disruption of operational activity of the MIC enterprises resulting from military action.</b> The full-scale aggression of the Russian Federation has a significant impact on Ukraine's MIC enterprises. Since one of the goals of the invasion is to destroy the military and military-industrial potential of Ukraine, the Russian forces launch missile and bomb strikes against</p>
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	<p>the MIC enterprises, which inflicts damage and disrupts the operational activity processes. Among the key issues related to the aggression of the Russian Federation one can identify the following: decreased production capacity of MIC resulting from military action; supply chain disruption (cessation of production / decreased production of the domestic suppliers for the MIC enterprises; logistics-related issues; etc.).</p> <p><b>The capacity of the domestic MIC cannot fully meet the needs of the AFU.</b> The capacity of the domestic MIC cannot fully meet the needs of the AFU, in particular due to the absence of engineering schools in some fields. Therefore, a need arises for repairing a wide range of armaments of foreign manufacture in the absence of relevant documentation and technical preparation of production. At the same time, the capacity for production of the state-of-the-art domestic armaments at the needed scale is limited due to loss of significant portion of production capacities and the absence of mass production of specific component parts of modern armaments. Low level of automation and digitalisation of production and management processes.</p>
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1.2. Key possibilities	<p><b>INCREASED INTEREST TOWARDS UKRAINE IN THE WORLD.</b></p> <p>An active foreign policy activity of the country's leadership facilitated an increased interest towards Ukraine in the world as well as the definitive establishment of Ukraine's positive image on the international arena. In its turn, an efficient resistance against the armed aggression of the Russian Federation, in particular with the use of domestic MIC products, results in an increased interest towards defence products manufactured in Ukraine. It is expected that these factors will have a positive impact on the effectiveness of the export activity of Ukraine's MIC enterprises as well as create new opportunities for the attraction of funding from international partners.</p> <p><b>RAPPROCHEMENT WITH NATO, THE USA, THE UNITED KINGDOM, AND SELECT EUROPEAN COUNTRIES.</b></p> <p>During the full-scale war against the Russian Federation, the military-technical cooperation between Ukraine and its key allies has intensified and strengthened. It is expected that these relations will be maintained during the post-war period, which will allow to ensure an efficient transfer of technologies and intensify the innovative development of the domestic MIC in accordance with the best international practices.</p> <p><b>PRESENCE OF POLITICAL WILL AND SUPPORT OF THE SOCIETY IN RELATION TO MIC'S DEVELOPMENT.</b></p> <p>The full-scale aggression by the Russian Federation yet again highlighted the importance of maintaining consistently high level of defence capability of the state and existence of a well-developed MIC. The above-mentioned provides an additional emphasis to the need to develop this area for the political leadership of the country and ensures a widespread support of this course in the Ukrainian society. It is expected that this will also allow to gain the support of the key stakeholders to increase investment into MIC, accelerate the implementation of the reforms, and unite the public around this goal.</p>
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## 1.3. Key limitations

**UNPREDICTABILITY OF THE DURATION AND INTENSITY OF MILITARY ACTION ON THE TERRITORY OF UKRAINE**

In spite of the existence of various predictions and expert assessments, the duration and the intensity of the military action cannot be accurately predicted. This uncertainty creates limitations for efficient planning of restoration and development of MIC. Therefore, a number of assumptions are to be made.

**ABSENCE OF TECHNOLOGIES.**

Prevalence of the third and fourth technological generation technologies, as well as the absence of the fifth and sixth technological generation technologies, in the military-industrial production results in non-compliance of the line-up of systems and subsystems of armaments and military equipment manufactured by the domestic MIC enterprises with the state-of-the-art level.

**DURATION OF THE REFORM IMPLEMENTATION PROCESS.**

Implementation of the majority of the proposed measures requires time and consistency, which limits the number and scale of the measures that can be implemented simultaneously and determines the duration of recovery and development of Ukraine's MIC.

**LIMITED HUMAN RESOURCES.**

Forced migration resulting from large-scale military action on the territory of Ukraine exacerbates the personnel shortage issue present in select sectors of the economy. It is expected that this limitation will continue to exist during the post-war period. The working professions specialist training system is destroyed while an efficient human resources policy aimed at encouraging men and women to develop their professional career in MIC is absent.

**LIMITATIONS OF ORGANISATIONAL NATURE.**

Absence of a clear-cut MIC management structure, existence of duplicate structures, non-completion of the "Ukroboronprom" State Concern reform, complete absence of coordination of the activity of the non-state-owned enterprises by the state. Absence of a complete and reliable vision of the needs of the Armed Forces and other military forces in domestically-produced weapons, at least for the short-term period. Complete absence of information about the needs of the defence forces based on the network-centric warfare doctrine. Low level of coordination and cooperation between the scientific institutions of the National Academy of Sciences of Ukraine, the leading technical universities, and weapons

	developers. There is no universal state database of technologies and state-of-the-art technical solutions accessible to weapons developers.
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## 2. Goals, tasks and stages of the Recovery Plan within the direction “Development of the Military-Industrial Complex” for specific fields

### 2.1. Goals aimed at resolving identified problems

	Stage 1: June 2022 – end of 2022	Stage 2: January 2023 – December 2025	Stage 3: January 2026 – December 2032
<b>1) Limited funding of the MIC sectors</b>			
Goal to be achieved to solve the issue during each stage	Establish financial-economic instruments aimed at resuming production, including the urgent need production	Increase the investment attractiveness and improve the financial state of the MIC enterprises	Implement joint projects with private internal and external partners
Deadline within the stage	December 2022	December 2025	December 2032
Risks related to the goal achievement	Lack of financial resources necessary to implement the instruments  Continued destruction of MIC enterprises, which will result in an increase in financial resources necessary for recovery	Political risks, namely the unwillingness to pursue a more open investment policy, which is justified by the national security protection  Corruption risks	Unwillingness of international partners to participate in the proposed projects  Corruption risks
Measurable goal achievement indicator	Percentage of AFU's urgent needs met by the domestic MIC enterprises — at least 50%  Percentage of operational enterprises — at least 70%	The amount of funds obtained from privatisation of MIC enterprises, which were de facto transferred to the State Trust Fund for Development of the Military-	The number of state-private partnership projects implemented — 20 projects.  The amount of investments attracted via implementation of

	Stage 1: June 2022 – end of 2022	Stage 2: January 2023 – December 2025	Stage 3: January 2026 – December 2032
		<p>Industrial Complex of Ukraine — UAH 305.9 million.</p> <p>The annual average number of employees of MIC enterprises — 125,000 people.</p> <p>The annual average salary of an MIC employee — UAH 21,830.</p>	state-private partnership projects — USD 400 million.
Total funding requirement for the goal achievement	to be estimated after necessary calculations are completed	to be estimated after necessary calculations are completed	to be estimated after necessary calculations are completed
Links between the goal and other directions	<p>Audit of losses due to the war</p> <p>Modernisation and Development of Security and Defence</p> <p>Recovery and development of the economy</p> <p>Recovery of infrastructure</p>	<p>Modernisation and Development of Security and Defence</p> <p>Recovery and development of the economy</p>	<p>Modernisation and Development of Security and Defence</p> <p>Recovery and development of the economy</p>
<b>2) Imperfect regulatory environment</b>			
Goal to be achieved to solve the issue during each stage	<p>Forming an organisationally and functionally balanced MIC structure. Improving the planning and management system</p>	<p>Implement a systemic reform of MIC, in particular find a perfect balance between state and private enterprises, improve the cooperation between the</p>	<p>Establish efficient mechanisms of supporting technical and technological development of MIC enterprises</p>

	Stage 1: June 2022 – end of 2022	Stage 2: January 2023 – December 2025	Stage 3: January 2026 – December 2032
		state customer and implementers, establish corporate governance at state enterprises	
Deadline within the stage	December 2022	December 2025	December 2032
Risks related to the goal achievement	<p>Absence of consensus among various stakeholders related to the vision for development of this sector</p> <p>Absence of an objective assessment of the potential and capabilities of MIC enterprises</p>	<p>Sabotage of the reform by select stakeholders due to the desire to preserve the existing influence</p> <p>Corruption risks</p>	<p>Absence of sufficient funding to implement the necessary measures</p> <p>Corruption risks</p>
Measurable goal achievement indicator Specific values will be indicated later		<p>Percentage of the state-owned economic operators that de facto comply with the state enterprises governance standards adopted by OECD.</p> <p>Average time to process an export-import military-purpose and double-purpose product application.</p> <p>Percentage of armaments and military equipment procurements</p>	<p>Degree of amortisation/depreciation of the key funds at enterprises.</p>

	Stage 1: June 2022 – end of 2022	Stage 2: January 2023 – December 2025	Stage 3: January 2026 – December 2032
		conducted in compliance with competitive procedures.	
Total funding requirement for the goal achievement	to be estimated after necessary calculations are completed	to be estimated after necessary calculations are completed	to be estimated after necessary calculations are completed
Links between the goal and other directions	Modernisation and Development of Security and Defence	Modernisation and Development of Security and Defence Recovery and development of the economy	Modernisation and Development of Security and Defence Education and science
<b>3) Manufacturing restrictions</b>			
Goal to be achieved to solve the issue during each stage	Identify the needs of the defence forces in armaments and the capacity and expediency to meet these needs by the MIC enterprises	Establish critically important, and modernise the existing, enterprises, complete the transition to the NATO standards	Intensify the integration of national producers into the international armaments market and improve their export potential, further develop military-technical cooperation
Deadline within the stage	December 2022	December 2025	December 2032
Risks related to the goal achievement	Continued destruction of MIC enterprises  Absence of an objective assessment of the potential and capabilities of MIC enterprises	Absence of sufficient funding to implement the necessary measures  Absence of an objective assessment of the potential	Absence of sufficient funding to implement the necessary measures  Absence of political will in potential partner countries  Corruption risks

	<b>Stage 1: June 2022 – end of 2022</b>	<b>Stage 2: January 2023 – December 2025</b>	<b>Stage 3: January 2026 – December 2032</b>
		and capabilities of MIC enterprises  Corruption risks	
Measurable goal achievement indicator Specific values will be indicated later		Percentage of armaments and military equipment procurements containing reference to NATO standards.	Number of international exhibitions with Ukrainian expositions / delegations as participants, number of signed agreements/memorandums and number of signed contracts.  Total profits of MIC enterprises (in the context of government contracts and exports)
Total funding requirement for the goal achievement	to be estimated after necessary calculations are completed	to be estimated after necessary calculations are completed	to be estimated after necessary calculations are completed
Links between the goal and other directions	Modernisation and Development of Security and Defence	Modernisation and Development of Security and Defence	Modernisation and Development of Security and Defence

## 2.2. Current state of implementation of the programme documents relating to the relevant issue in the defined analysis area

<b>No.</b>	<b>Title of the programme document</b>	<b>Current situation</b>

1	Strategy for the Development of the Military-Industrial Complex of Ukraine (adopted by the Decree of the President of Ukraine No. 372/2021 of 20 August 2021 "On Decision of the National Security and Defence Council of Ukraine of 18 June 2021 'On the Strategy for the Development of the Military-Industrial Complex of Ukraine' ")	<p>Implementation of the 1st stage measures of the Strategy of the state sector of the Military-Industrial Complex of Ukraine in accordance with the Law of Ukraine "On the Peculiarities of Reforming the Enterprises of the Military-Industrial Complex of the State Form of Ownership":</p> <ol style="list-style-type: none"> <li>1. Ensured the development and adoption by the Cabinet of Ministers of Ukraine of the Action Plan on implementation of the Law of Ukraine "On the Peculiarities of Reforming the Enterprises of the Military-Industrial Complex of the State Form of Ownership" (Protocol No. 155 of 29 December 2021).</li> <li>2. The Cabinet of Ministers of Ukraine adopted the following decision: <ul style="list-style-type: none"> <li>- Ordinance of the Cabinet of Ministers of Ukraine No. 1594-p of 09 December 2021 "On Termination through Reorganisation of the "Ukroboronprom" State Concern into a Joint-Stock Company";</li> <li>- Ordinance of the Cabinet of Ministers of Ukraine No. 1595-p of 09 December 2021 and Resolution of the Cabinet of Ministers of Ukraine No. 1280 of 09 December 2021 on approval of reorganisation of the member enterprises of the concern into business entities.</li> </ul> </li> <li>3. "Ukroboronprom" State Concern adopted the decision to reorganise 47 out of 63 of its member enterprises, which, in accordance with the decision of the Steering Committee of the Concern, are subject to reorganisation into business entities.</li> </ol> <p><b>Due to the beginning of the war, the reorganisation of the enterprises has not been completed.</b></p>
2	State target programme for reforming and developing the Military-Industrial Complex for the period until 2021	The Cabinet of Ministers of Ukraine adopted the Resolution No. 1350-35 of 23 December 2021 "On Extending the Implementation of the State Target Programme for Reforming and Developing the Military-Industrial Complex for the period until 2021" <b>(extended until 2022)</b>

3	Action Plan on implementation of the Law of Ukraine "On the Peculiarities of Reforming the Enterprises of the Military-Industrial Complex of the State Form of Ownership" (The Protocol Decision of the Cabinet of Ministers of Ukraine of 29 December 2021, Protocol No. 155)	<p>The Law implementation measures have been initiated.</p> <p>The report on the state of implementation of measures No. <b>1.4-3.2/1422 of 11 April 2022</b> has been sent via a letter to the Ministry of Economy of Ukraine.</p>
4	Ordinance of the CMU No. 1544-p of 28 October 2020 "On Adoption of the National Action Plan on Implementation of the 'Women, Peace and Security' UN Security Council Resolution for the period until 2025"	<p>The following National Action Plan measures have been envisaged, but require further implementation, with their implementer being the Ministry of Strategic Industries of Ukraine:</p> <ul style="list-style-type: none"> <li>introduction of changes and amendments into the Articles of Association of the "Ukroboronprom" State Concern, in particular the sections related to ensuring participation of women in the activity of the Steering Committee of the Concern;</li> <li>development, expansion, and application of the infrastructure security analysis results taking into account the equal rights and opportunities for men and women principle (territory security audit)</li> </ul>

### 2.3. Definition of tasks for the goal achievement from paragraph 2.1

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
Goal 1: Establish financial-economic instruments aimed at resuming production, including the urgent need production			
Stage 1: June 2022 – end of 2022			
1.1	Task 1. Assess the cost of resumption of work of critical production facilities	August 2022	Audit of losses due to the war
1.2	Task 2. Exempt the MIC enterprises from income taxes if such an income was obtained in the form of target charity assistance aimed at	August 2022	Recovery and development of the economy

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
	reinforcing the defence capacity and mobilisation readiness of the country, protection of the population during emergency situations arising during peaceful and war times		
1.3	Task 3. Develop a funding mechanism for production resumption	September 2022	Recovery and development of the economy Recovery of infrastructure
1.4	Task 4. Establish funding mechanisms for production resumption	October 2022	Recovery and development of the economy Recovery of infrastructure
Goal 2. Improve the investment attractiveness and financial state of the MIC enterprises			
Stage 2: January 2023 – December 2025			
2.1	Task 1. Restructure the bad debts of the MIC enterprises	June 2023	Recovery and development of the economy
2.2	Task 2. Improve the legislation in the field of attraction and protection of domestic and foreign investments, in particular lift restrictions on establishment of joint ventures with foreign companies and conducting joint business with them, ensure the accessibility of risk insurance instruments (including military risks) for investment purposes, extend the scope of the Law of Ukraine “On Industrial Parks” and other investment stimulation and support instruments to the field of MIC	December 2023	Recovery and development of the economy
2.3	Task 3. Develop a mechanism for interest rate reduction on loans, and extension of credit terms (loan terms) under government guarantees, to implement programmes related to improving the defence capacity and security of the state.	December 2023	Modernisation and Development of Security and Defence

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
			Recovery and development of the economy
2.4	Task 4. Ensure capital investment aimed at establishment of new, as well as modernisation and expansion of the existing, production capacities of the MIC enterprises in accordance with the content of the following: a) state weapon development programmes; b) state MIC development programmes; c) military-technical cooperation programmes and plans; d) programmes and plans for development and launch of civilian-purpose products.	December 2024	Modernisation and Development of Security and Defence Recovery and development of the economy
2.5	Task 5. Establish mechanisms of tax incentives to encourage investments into MIC and provide tax/customs preferences to offset agreements	December 2025	Modernisation and Development of Security and Defence Recovery and development of the economy
Goal 3. Implement joint projects with private internal and external investors			
Stage 3: January 2026 – December 2032			
3.1	Task 1. Establish legal instruments for efficient operation of the state-private partnership and establishment of joint ventures, with all of the above in the interests of the national security and defence	January 2026	Modernisation and Development of Security and Defence Recovery and development of the economy
3.2	Task 2. Determine the list of projects, as well as criteria for their implementation, through the mechanism of state-private partnership	December 2026	Modernisation and Development of Security and Defence

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
			Recovery and development of the economy
Goal 4. Forming an organisationally and functionally balanced MIC structure. Improving the planning and management system			
Stage 1: June 2022 – end of 2022			
4.1	<p>Task 1. Development of state target programme projects in the field of weapons development and Military-Industrial Complex in the following areas:</p> <ul style="list-style-type: none"> <li>• Aircraft production and repairs</li> <li>• Armoured vehicles</li> <li>• High-precision weapons and ammunition</li> <li>• Radiolocation, radio communication, and special instrument building</li> <li>• Aerospace programme</li> <li>• Other areas</li> </ul>	December 2022	Modernisation and Development of Security and Defence
4.2	Task 2. Identify the directions for development of the MIC production in accordance with the investment priorities	December 2022	Modernisation and Development of Security and Defence
4.3	<p>Task 3. Update the content of the strategic state documents:</p> <ul style="list-style-type: none"> <li>• The Law of Ukraine «On the National Security of Ukraine»</li> <li>• The National Security Strategy of Ukraine</li> <li>• The Military Security Strategy of Ukraine</li> <li>• The Strategic Defence Bulletin of Ukraine</li> <li>• The MIC Development Strategy of Ukraine</li> </ul>	December 2022	Recovery and development of the economy Modernisation and Development of Security and Defence
Goal 5. Implement a systemic reform of MIC, in particular find a perfect balance between state and private enterprises, improve cooperation between state customer and implementers, establish corporate governance at state enterprises			

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
Stage 2: January 2023 – December 2025			
5.1	Task 1. Intensify the activity related to attraction of the NATO trust funds resources	December 2023	Modernisation and Development of Security and Defence
5.2	Task 2. Establishment of the CALS (Continuous Acquisition and Lifecycle Support) technology, with the establishment of the Lifecycle Support Centre, introduction of the performance-based AME systems exploitation support concept — PBL (Performance-Based Lifecycle Product Support) agreements — to contracting practice of AME supply by the MIC to the Ministry of Defence	December 2023	Modernisation and Development of Security and Defence
5.3	Task 3. Development, implementation, and annual adjustment (if necessary) of the pricing procedure for AME and its component parts taking into account the use of lifecycle support agreements and inclusion of cost for development of the new AME models into their supply price	December 2023	Modernisation and Development of Security and Defence Recovery and development of the economy
5.4	Task 4. Reform the state-owned enterprises management system in the field of MIC. Introduce corporate governance standards, anti-corruption measures, IFRS, and reporting to the shareholders at MIC state-owned enterprises	December 2023	Recovery and development of the economy
5.5	Task 5. Improve the mechanisms of planning and conducting defence procurement	December 2024	Modernisation and Development of Security and Defence
5.6	Task 6. Establish an efficient and flexible price formation mechanism for products procured without competitive procedures, namely implement the following measures: review profitability norms for single-supplier procurement of military-purpose products, works, and	December 2024	Modernisation and Development of Security and Defence

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
	services; establish a mechanism of including credit/loan servicing expenses into the production costs of MIC products for state defence contracts		
5.7	Task 7. Establish a unified closed information system for customers and participants of defence procurement	December 2025	Modernisation and Development of Security and Defence
Goal 6. Establish efficient mechanisms of supporting technical and technological development of MIC enterprises			
Stage 3: January 2026 – December 2032			
6.1	Task 1. Establish mechanisms of economic incentives to utilise state-of-the-art technologies, in particular those related to energy saving and use and recycling of rare-earth metals, etc.	December 2026	Recovery and development of the economy
6.2	Task 2. Establish a system of professional training of MIC specialists. Establish professional technical education structures under the leading enterprises of MIC sectors, establish government demand for training specialists of secondary special and higher education. Social security for the specialists	December 2026	Education and Science
6.3	Task 3. Review the structure of orders for development of new items and types of weaponry, its management and funding	December 2026	Modernisation and Development of Security and Defence
6.4	Task 4. Establish and ensure full functioning of the Agency for Defence Technologies	December 2026	Modernisation and Development of Security and Defence

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
6.5	Task 5. Develop and ensure funding for the Programme for Development of Defence Technologies	December 2026	Modernisation and Development of Security and Defence
6.6	Task 6. Determine the funding priorities for the State Fund for Development of MIC of Ukraine taking into account the goals of the state target programmes for reforming and developing MIC and developing weapons and military equipment	December 2026	Modernisation and Development of Security and Defence
6.7	Task 7. Assess the viability of establishing mechanisms of military-civilian integration	December 2027	Modernisation and Development of Security and Defence
6.8	Task 8. Streamline the procedures for importing equipment for research purposes, testing, development, and production of armaments and military equipment	December 2028	Recovery and development of the economy
6.9	Task 9. Establish an intellectual property items management system	December 2028	Recovery and development of the economy
6.10	Task 10. Improve the technology protection system	December 2032	
Goal 7. Identify the defence force's need for armaments and the ability and the appropriateness of MIC enterprises to meet this need			
Stage 1: June 2022 – end of 2022			
7.1	Task 1. Development of a matrix of defence forces' needs in armaments based on data provided by the Group on Security and Defence. (Capabilities based planning) and assessment of the capacity and expediency to meet this need by the MIC enterprises of Ukraine	December 2022	Modernisation and Development of Security and Defence
7.2	Task 2. Placement of enterprise on the territory of Ukraine taking into account the proximity to the borders with the aggressor, dispersion,	December 2022	Modernisation and Development of Security

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
	vitality, duplication of production capacities, network coverage, availability of qualified personnel, infrastructure, coordination of the above-mentioned issues with the local authorities		and Defence
Goal 8. Establish critically important, and modernise the existing, enterprises, complete the transition to the NATO standards			
Stage 2: January 2023 – December 2025			
8.1	Task 1. Establishment of low-tonnage special chemical plants and their dispersion along the territory of the country	December 2025	
8.2	Task 2. Establishment of production of ammunition and cartridges compatible with NATO calibres, including licenced ones	December 2025	
8.3	Task 3. Ensuring unification, standardisation. Placement of orders for production of identical items of weaponry at different enterprises, optimisation of workload of enterprises	December 2025	Modernisation and Development of Security and Defence
8.4	Task 4. Establishment of intra-sectoral and inter-sectoral exchange of best practices, inventions, technical and technological solutions	December 2025	Modernisation and Development of Security and Defence
8.5	Task 5. Optimisation of equipment storage facilities and increase in their workload. Establishment of active cooperation in field of optimal equipment use, expansion of intra-sectoral and inter-sectoral outsourcing	December 2025	Modernisation and Development of Security and Defence
8.6	Task 6. Adaptation of the Ukrainian standards and regulations to NATO standards while preserving the permissible level of national identity	December 2025	Modernisation and Development of Security and Defence

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
8.7	Task 7. Establish product quality assessment mechanisms in accordance with the international ISO standards and other international and European quality assessment documents	December 2025	Modernisation and Development of Security and Defence
8.8	Task 8. Ensure the review (and extension) of Series B level inter-state standards	December 2025	Modernisation and Development of Security and Defence
8.9	Task 9. Establish an electronic database of standardisation-related normative documents in force in Ukraine	December 2025	Modernisation and Development of Security and Defence
8.10	Task 10. Ensure funding of production preparation measures in accordance with the goals of the state programmes for weapon development	December 2025	Modernisation and Development of Security and Defence
8.11	Task 11. Determine the priorities and projects aimed at establishment of new production capacities of MIC and related fields (use of rare-earth metals: titanium, aluminium, uranium, etc.)	December 2025	Modernisation and Development of Security and Defence
Goal 9. Intensify the integration of national producers into the international armaments market and improve their export potential, further develop the military-technical cooperation			
Stage 3: January 2026 – December 2032			
9.1	Task 1. Develop legal and normative base to ensure the development of the military-technical cooperation	December 2026	Modernisation and Development of Security and Defence

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
9.2	Task 2. Ensure further development of military-technical cooperation, in particular intensify the signing of intergovernmental agreements on military-technical cooperation that provide for mutual protection of investments, technologies, specific measures related to joint production of weapons, military and special equipment to satisfy the needs of third states	December 2032	Modernisation and Development of Security and Defence
9.3	Task 3. Intensify the cooperation with the leading international defence institutions	December 2026	Modernisation and Development of Security and Defence
9.4	Task 4. Improve the export control system, in particular implement the following measures: simplify the procedures of obtainment of permits to conduct export-import operations in defence sector for economic operators; establish an electronic licencing system in the field of state export control to automate the processes of administrative services provision, reporting and oversight in this field; intensify the participation of Ukraine in the activity of international export control regimes	December 2026	Recovery and development of the economy
9.5	Task 5. Provide support to the exports sector and diversify sales markets, in particular by means of utilising the export credit agency mechanisms in the field of MIC	December 2032	Recovery and development of the economy
9.6	Task 6. Ensure domestic production of products of foreign manufacture that are supplied within the framework of military-technical cooperation measures	December 2032	Recovery and development of the economy
9.7	Task 7. Intensify the presence of Ukraine on international markets, active promotion on external markets of new and modernised types of	December 2032	Recovery and development of the economy

No.	Description of the task for the goal achievement	Deadline for the task	Dependence of the task on the tasks within other directions, areas and issues
	armaments and military equipment of Ukrainian manufacture, in particular by means of development of exhibition activity		

### 3. List of national projects aimed at the completion of the task from Subpoint 2.3 (for the corresponding task)

Project description to task No. from paragraph 2.3	Project rationale	Qualitative indicators of the project implementation	Economic effects (impact on the GDP, budget, employment, etc.)	Main responsible public authority	Estimated funding requirement (UAH million)	Proposed sources of funding	Necessary legal framework
State target scientific-technical programme for development of aviation industry for 2021-2030	The goal of the Programme is to create conditions for the implementation of innovative research and development of new competitive aviation technologies, materials, production processes and equipment, conducting tests. The implementation and integration of the above-mentioned will allow to ensure profitable	Accomplishment of the tasks and implementation of the measures of the Programme will facilitate the recovery and efficient development of the scientific and engineering-technical sectors	Accomplishment of the tasks and implementation of the measures of the Programme will facilitate the preservation of at least 50,000 and creation of at least 6,000 workplaces in the aviation industry during the 2021-2030 period. The estimated cost of implementation of the Programme until 2030 is UAH 300-350 billion, which will allow to generate	Ministry of Strategic Industries	The amount of the State Budget of Ukraine funding for the Programme for 2023-2025 is UAH 6.0 billion; Enterprises' own funds and other sources — UAH 5.3 billion.	State Budget of Ukraine; Other sources of funding.	Resolution of the Cabinet of Minister of Ukraine No. 951 of 01 September 2021

Project description to task No. from paragraph 2.3	Project rationale	Qualitative indicators of the project implementation	Economic effects (impact on the GDP, budget, employment, etc.)	Main responsible public authority	Estimated funding requirement (UAH million)	Proposed sources of funding	Necessary legal framework
	mass production of high-tech aviation equipment in Ukraine, develop samples of new competitive models of production aeroplanes, helicopters, engines, propellers, flight simulators, other equipment while at the same time encouraging its exports to the external marker.		approximately UAH 100-120 billion for budgets of all levels and ensure the growth of the average monthly salary of the employees in the industry.				
Establishment of the Agency for Defence Technologies	The activity of the “Agency for Defence Technologies” state institution will facilitate the improvement of the efficiency of the research and development activity in the interests of the defence industry, allow the MIC enterprises of all forms of ownership to	The implementation of the Resolution will ensure the establishment of the system for selection of the results of fundamental science obtained in accordance with the priority areas of scientific research, basic and critical	It is expected that the programme will create 50 new workplaces.	Ministry of Strategic Industries	The amount of the State Budget of Ukraine funding for the measures related to establishment and maintenance of the “Agency for	State Budget of Ukraine; Other sources of funding.	The Ordinance of the Cabinet of Ministers of Ukraine on the execution of the Decision of the National Security and Defence Council of Ukraine requires

Project description to task No. from paragraph 2.3	Project rationale	Qualitative indicators of the project implementation	Economic effects (impact on the GDP, budget, employment, etc.)	Main responsible public authority	Estimated funding requirement (UAH million)	Proposed sources of funding	Necessary legal framework
	<p>meet the needs of the security and defence sector of Ukraine in state-of-the-art weapons, military and special equipment.</p> <p>Coordinate the activity of the scientific-technical potential in accordance with the Needs of the security and defence sector.</p>	<p>technologies, their transformation into applied results suitable of practical application in breakthrough technical solutions in technological processes and items of weaponry and military equipment, improve the efficiency of intellectual property rights management in the field of state-owned defence technologies, improve the level of implementation of military-civilian integration, expand the areas of application of double-purpose technologies with the</p>			<p>Defence Technologies" state institution for 2023-2025 is UAH 0.091 billion.</p>		adoption

Project description to task No. from paragraph 2.3	Project rationale	Qualitative indicators of the project implementation	Economic effects (impact on the GDP, budget, employment, etc.)	Main responsible public authority	Estimated funding requirement (UAH million)	Proposed sources of funding	Necessary legal framework
		aim of increasing the efficiency of MIC enterprises.					
State target defence programme on implementation of research and development projects and development of new technologies in the interests of the security and defence sector of Ukraine	Establishment of legal, organisational, and financial preconditions for the development of a system of scientific research and scientific-technical (experimental) inventions, improvement of their competitiveness, and development of scientific, scientific-technical, and innovative activity in the interests of the security and defence sector of Ukraine, development and implementation of basic and critical military-purpose and double-purpose technologies.	Ensuring the production of military equipment and ammunition taking into account the modern innovative technologies compliant with European international standards, improvement of export potential, strengthening of positions of the state on the international weapons market, ensuring the participation of the MIC enterprises of all forms of ownership in the implementation of international military-		Ministry of Strategic Industries	The amount of the State Budget of Ukraine funding for the Programme for 2023-2025 is UAH 1.774 billion	State Budget of Ukraine; Other sources of funding.	The Resolution of the Cabinet of Ministers of Ukraine on the execution of the Decision of the National Security and Defence Council of Ukraine requires adoption

Project description to task No. from paragraph 2.3	Project rationale	Qualitative indicators of the project implementation	Economic effects (impact on the GDP, budget, employment, etc.)	Main responsible public authority	Estimated funding requirement (UAH million)	Proposed sources of funding	Necessary legal framework
		technical cooperation projects.					
State target programme for reforming and developing the Military-Industrial Complex.	Preparation of production of defence-purpose products in accordance with the tasks and measures established by the state target programmes in the field of national security and defence, other military planning documents aimed at development of the defence and security sector	Number and degree of completion of the measures aimed at production of technological equipment, technical re-equipment and reconstruction of the active production facilities, capital construction of special-purpose buildings and structures for production of defence-purpose products		Ministry of Strategic Industries	The amount of the State Budget of Ukraine funding for the Programme for 2023-2025 is UAH 12.078 billion.	State Budget of Ukraine; Other sources of funding.	The Resolution of the Cabinet of Ministers of Ukraine on the execution of the Decision of the National Security and Defence Council of Ukraine requires adoption
State target defence programme for development of artillery,	The need to increase the rate and quantity of production of modernised and new items (complexes, systems) of artillery, anti-tank and	Ensuring the capacity building of the domestic MIC enterprises and institutions, improvement of their scientific-technical		Ministry of Defence, Ministry of Strategic Industries	The amount of funding for the Programme for 2023-2025 is UAH 143.0775 billion	State Budget of Ukraine.	Resolution of the Cabinet of Ministers of Ukraine

Project description to task No. from paragraph 2.3	Project rationale	Qualitative indicators of the project implementation	Economic effects (impact on the GDP, budget, employment, etc.)	Main responsible public authority	Estimated funding requirement (UAH million)	Proposed sources of funding	Necessary legal framework
anti-tank and anti-ship weapons	anti-ship weaponry and equip the various branches and units of the Armed Forces of Ukraine with them, establishment of new, and expansion of the existing, scientific-production capacities to ensure modernisation of the existing and production of the new items of artillery, anti-tank and anti-ship weaponry in the required quantity.	potential, building capacity for mass production of high-tech artillery, anti-tank and anti-ship weaponry in the required quantity and quality to meet the needs of the defence sector			including UAH 15.630 billion for preparation of production.		
State target defence programmes for development of weapons in the following areas (radar	The need to increase the rate and quantity of production of modernised and new items of weaponry and ammunition in the required areas and equip the various branches and units of Armed Forces of Ukraine with them,	Ensuring the capacity building of the domestic MIC enterprises and institutions, improvement of their scientific-technical potential, building their capacity for mass production of high-tech		Ministry of Defence, Ministry of Strategic Industries	UAH 39.5 billion	State Budget of Ukraine.	Resolution of the Cabinet of Ministers of Ukraine

Project description to task No. from paragraph 2.3	Project rationale	Qualitative indicators of the project implementation	Economic effects (impact on the GDP, budget, employment, etc.)	Main responsible public authority	Estimated funding requirement (UAH million)	Proposed sources of funding	Necessary legal framework
systems, armoured vehicles, ammunition and special chemicals, etc.)	establishment of new, and expansion of the existing, scientific-production capacities to ensure modernisation of the existing and production of the new items of weaponry in the required quantity.	weaponry in the required quantity and quality to meet the needs of the defence sector					

#### 4. Necessary legal framework

No.	Title of the legal and normative act to task No. from paragraph 2.3	Contents of the development of/ amendments to the legal and normative act	Public authority responsible for the development of/ amendments to the legal and normative act	Deadline for development	Final date of entry into force
1	“On Amending the Law of Ukraine ‘On the Legal Status of Martial Law’ on the Specifics of Conducting Economic Activity	The above-mentioned provides for engagement and use of production capacities of the enterprises, institutions, and organisations of all forms of ownership to develop, produce,	Already drafted	Already drafted	

No.	Title of the legal and normative act to task No. from paragraph 2.3	Contents of the development of/ amendments to the legal and normative act	Public authority responsible for the development of/ amendments to the legal and normative act	Deadline for development	Final date of entry into force
	in the Military-Industrial Complex during Martial Law”	modernise, repair, and utilise military-purpose products to meet the needs of the security and defence forces.			
2	“On Amending the Law of Ukraine ‘On Defence Procurement’ ”	The above-mentioned document was developed to meet the needs of the security and defence sector in defence-purpose products, works, and services necessary to fulfil the tasks and exercise powers of the state customers in the field of defence aimed at resisting the armed aggression and eliminating the threats to national security, territorial integrity, and inviolability of state borders of Ukraine.	Ministry of Strategic Industries	Already drafted	
3	The Resolution of the Cabinet of Ministers of Ukraine “Certain Issues of Supplying the Military-Industrial Complex Enterprises with Property on Financial Lease Terms”	The introduction of the financial lease mechanism aimed at supplying the MIC enterprises with special technological means, technical instruments, equipment, and other property necessary to prepare the production (repairs, modernisation) of weaponry, military and special equipment, gear, and ammunition.	Ministry of Strategic Industries	Already drafted	
4	The Law of Ukraine “On Development and Production of Weapons, Military and Special Equipment”	This Law establishes organisational and legal bases for conducting activity related to development and production of weapons, military and special equipment, with the state regulation of the activity of development, production, and maintenance of other stages of the life cycle of weapons, military and special equipment	Ministry of Strategic Industries	Already drafted	
5	“On Amending the Point 9 <sup>3</sup> Title V ‘Final Provisions’ of the Law of Ukraine ‘On	The application of the Law of Ukraine “On Regulation of Urban Development Activity” (hereinafter referred to as the Law) is expected to be extended to enterprises with production	Ministry of Strategic Industries	Already drafted	

No.	Title of the legal and normative act to task No. from paragraph 2.3	Contents of the development of/ amendments to the legal and normative act	Public authority responsible for the development of/ amendments to the legal and normative act	Deadline for development	Final date of entry into force
	Regulation of Urban Development Activity’ ’	capacities capable of producing defence-purpose products by means of amending the Title V “Final Provisions” of the Law.			
6	The Ordinance of the Cabinet of Ministers of Ukraine “On Establishment of the Agency for Defence Technologies”	Ensuring the establishment of the system for selection of the results of fundamental science obtained in accordance with the priority areas of scientific research, basic and critical technologies, their transformation into applied results suitable of practical application in breakthrough technical solutions in technological processes and items of weaponry and military equipment, improve the efficiency of intellectual property rights management in the field of state-owned defence technologies, improve the level of implementation of military-civilian integration, expand the areas of application of double-purpose technologies with the aim of increasing the efficiency of MIC enterprises.	Ministry of Strategic Industries	Already drafted	
7	The Resolution of the Cabinet of Minister of Ukraine “On Approval of the State Target Defence Programme on Implementation of Research and Development Projects and Development of New Technologies in the Interests of the Security and Defence Sector of Ukraine”	Ensuring the production of military equipment and ammunition taking into account the modern innovative technologies compliant with European international standards, improvement of export potential, strengthening of positions of the state on the international weapons market, ensuring the participation of the MIC enterprises of all forms of ownership in the implementation of international military-technical cooperation projects.	Ministry of Strategic Industries	Already drafted	
8	The Resolution of the Cabinet of Ministers of Ukraine “On Approval of the State Target	Number and degree of completion of the measures aimed at production of technological equipment, technical re-	Ministry of Strategic Industries	Already drafted	

No.	Title of the legal and normative act to task No. from paragraph 2.3	Contents of the development of/ amendments to the legal and normative act	Public authority responsible for the development of/ amendments to the legal and normative act	Deadline for development	Final date of entry into force
	Programme for Reforming and Developing the Military-Industrial Complex”	equipment and reconstruction of the active production facilities, capital construction of special-purpose buildings and structures for production of defence-purpose products.			